AR45

Annual Report 1974

FALCONBRIDGE NICKEL MINES LIMITED





A special message to shareholders

On February 12, 1975, the Company issued a preliminary report to shareholders on results for 1974. The unaudited statement reported consolidated earnings of $29,976,000 ($6.05 per share). These figures took into account the most recent information available to the Company concerning the proposed regulations to the Ontario Mining Tax Act.

Subsequent to the release of the above information the Company learned that a further amendment had been made to the regulations on February 21, 1975, which imposed additional mining taxes on the Company retroactive to April 9, 1974. Immediate representations were made to the Ontario Government concerning this matter, but on March 5, 1975, the Company was advised that the amended regulations would stand.

The amendment disallows the deduction of the cost of processing outside of Canada in determining profit subject to tax. Specifically this applies to the costs of the Company's refinery in Norway and represents an additional tax levy of approximately $8,000,000 for the period April 9 to December 31, 1974. This amendment to the regulations reduces consolidated earnings for 1974 to $21,976,000 ($4.43 per share).

Continuing representations are being made to the Ontario Government concerning this serious and completely unexpected development and detailed studies of the situation are under way.

The financial data included throughout this report incorporate the changes necessitated by the new legislation.

FALCONBRIDGE NICKEL MINES LIMITED 1974 ANNUAL REPORT

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ANNUAL ~~MEETING OF SHAREHOLDERS~~
THURSDAY, APRIL 10, 1975
~~10:00 A.M.~~ (TORONTO TIME)
COMMERCE HALL
CONCOURSE LEVEL, COMMERCE COURT
TORONTO, ONTARIO

HIGHLIGHTS

	1974	1973
Financial		
Earnings (before extraordinary item)	$ 21,976,000	$ 48,860,000
— per share	$4.43	$9.86
Extraordinary item		$ 7,100,000
— per share		$1.43
Dividends paid per share	$2.00	$1.00
Working capital	$190,609,000	$189,571,000
Metal Sales Prices (per pound — U.S. currency)		
Electrolytic nickel (at December 31)	$1.85	$1.53
Ferronickel (at December 31)	$1.46	$1.46
Copper (per London Metal Exchange)		
— January 1	89¢	48¢
— High (1974 — April; 1973 — December)	$1.47	$1.20
— December 31	56¢	92¢
Metal Deliveries (pounds)		
Nickel in all forms	167,423,000	169,662,000
Copper	153,200,000	179,188,000

Operations

Costs continued to escalate as a result of world-wide inflation.

Employees were granted cost-of-living allowances to offset the effect of rapid inflation on their incomes.

A $95,000,000 smelter environmental improvement program at Sudbury was launched.

Sturgeon Lake Mines Limited brought its copper-zinc property into limited production.

Numerous increases in taxes and royalties proposed by the Canadian federal and certain provincial governments were effected in 1974.

FALCONBRIDGE NICKEL MINES LIMITED 1974 ANNUAL REPORT

AS AT DECEMBER 31, 1974

DIRECTORS EMERITUS

THAYER LINDSLEY

REGINALD CAMPBELL

BOARD OF DIRECTORS

F. H. BRANDI,
Former Chairman, Dillon, Read & Co. Inc.

C. F. H. CARSON, Q.C.,
Partner, law firm of
Tilley, Carson & Findlay

JOHN B. CONNALLY,
Partner, law firm of
Vinson, Elkins, Searls,
Connally & Smith

* MARSH A. COOPER,
President and Managing Director

O. D. COWAN,
Chairman, General Impact
Extrusions Ltd.

W. G. DAHL,
Vice-President Marketing

N. M. DAVIS,
Chairman of the Board and President,
N. M. Davis Corporation Limited

E. L. HEALY,
Executive Vice-President Operations

* W. F. JAMES,
Partner in James & Buffam,
Consulting Geologists

* H. B. KECK,
President, The Superior Oil Company

* NEIL J. McKINNON,
Director,
The Canada Life Assurance Company

D. G. C. MENZEL, Q.C.,
Partner, law firm of
Campbell, Godfrey & Lewtas

J. E. REID,
Vice-President,
The Superior Oil Company

W. I. SPENCER,
President, First National City Bank

* Member of the Executive Committee

OFFICERS AND CORPORATE MANAGEMENT

H. B. KECK,
Chairman of the Board

MARSH A. COOPER,
President and Managing Director

E. L. HEALY,
Executive Vice-President Operations

H. T. BERRY,
Vice-President Metallurgy and Research

W. G. DAHL,
Vice-President Marketing

D. R. DE LAPORTE,
Vice-President Western Minerals Division

JAMES HOLMES,
Vice-President Finance

I. H. KEITH,
Vice-President Ferronickel Division

D. R. LOCHHEAD,
Vice-President Nickel Division

J. J. MATHER,
Vice-President Industrial Minerals Division

G. P. MITCHELL,
Vice-President Exploration and Development

J. R. SMITH,
Vice-President Eastern Minerals Division

G. T. N. WOODROOFFE,
Vice-President Corporate Affairs and Secretary

H. L. HICKEY,
Director Public Relations

J. L. MATTHEWS,
General Counsel and Assistant Secretary

KENNETH DUNN,
Controller

N. H. WITHERELL,
Treasurer

A. R. PASIEKA,
Director Mining Engineering and Research

PETER ZAHARUK,
Director General Engineering

P.O. BOX 40, COMMERCE COURT WEST, TORONTO, ONTARIO, CANADA M5L 1B4



Ferronickel ingots produced by Falconbridge Dominicana, C. por A. are shown on the dockside at Haina, Dominican Republic, being loaded for export.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Highlights of 1974

During 1974 the Company continued programs to strengthen its corporate foundation and make it a more effective competitor in the world marketplace. Emphasis was placed on exploration and development and on metallurgical and mining research. In addition a $95,000,000 smelter environmental improvement program at Sudbury was launched.

Deliveries of Falconbridge nickel in all forms in 1974 were the second highest on record, 167,423,000 pounds compared with 169,662,000 pounds in 1973 and enabled the Company to maintain an important share of the international market. Elsewhere within the group of companies, Sturgeon Lake Mines Limited — financed by Falconbridge Copper Limited and NBU Mines Limited — brought its copper-zinc property into limited production. At the Falconbridge Copper Lake Dufault property, surface drilling resulted in the discovery of a significant copper-zinc zone west of the Millenbach shaft. A new shaft is planned to explore this zone. Other companies pressed forward with various programs to improve operations and to extend mine life.

Taking into consideration the impact of rapid cost inflation on the incomes of its employees, the Company granted special cost-of-living allowances during the year.

The sharp increase in the world price of fuel led to an acceleration of price increases in other goods and services of all kinds, aggravating further the already serious inflationary situation. The earnings of Falconbridge Dominicana, C. por A. were particularly affected because of its intensive use of oil.

The selling price of Falconbridge electrolytic nickel was increased in 1974 by U.S. 9 cents per pound in January and U.S. 23 cents per pound in May. A further U.S. 16 cents per pound increase became effective January 1, 1975. The base price for electrolytic nickel is now U.S. $2.01 per pound.

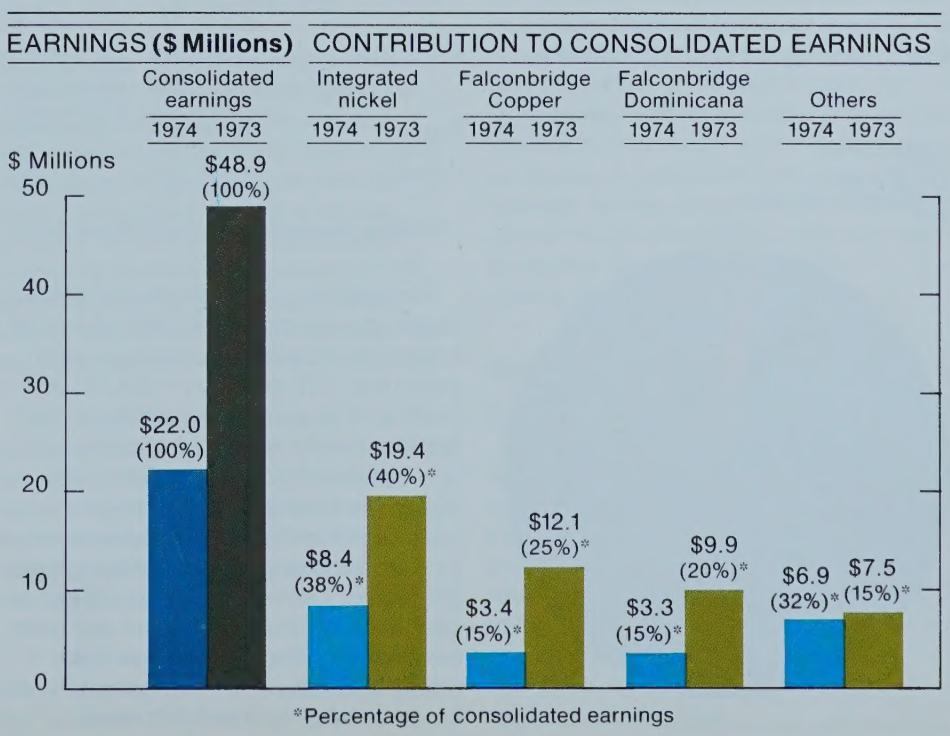
The selling price of ferronickel was increased by U.S. 11 cents per pound of nickel content in January, U.S. 24 cents in May and U.S. 20 cents in December. Due to competitive forward sales commitments made at fixed prices in 1973 for 1974 deliveries, significant benefit has not been realized from these price increases until 1975. The base price of Falconbridge ferronickel is now U.S. $2.01 per pound of nickel content.

The London Metal Exchange price of copper fluctuated widely, starting off the year at U.S. 89 cents per pound, reaching a high of U.S. $1.47 per pound in April and dropping to U.S. 56 cents per pound at the end of the year.

Consolidated Earnings

Consolidated earnings for the year were $21,976,000 or $4.43 per share after providing $41,954,000 for income and mining taxes. In 1973, restated consolidated earnings before an extraordinary deferred tax credit of $7,100,000 were $48,860,000 or $9.86 per share after providing $34,540,000 for income and mining taxes. After the extraordinary credit 1973 earnings were $55,960,000 or $11.29 per share.

The earnings of the integrated nickel operations decreased by $11,030,000 from the previous year's level and the contributions to earnings by subsidiaries decreased by $6,624,000 from Falconbridge Dominicana, C. por A., $8,711,000 from Falconbridge Copper Limited, and $1,808,000 from Wesfrob Mines Limited. The contribution to earnings increased by $1,218,000 from United Keno Hill



*Percentage of consolidated earnings

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

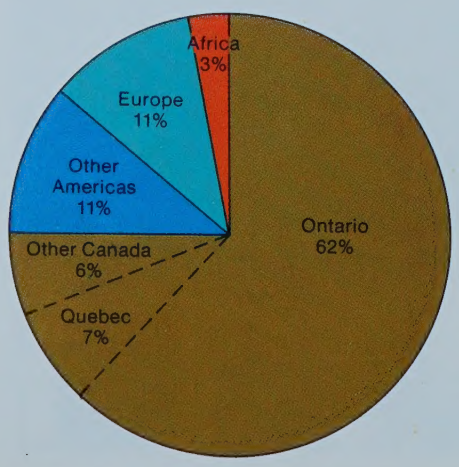
Mines Limited and $882,000 from Alminex Limited. Details of the financial results of companies in the Falconbridge group appear in Statement 4 on pages 20 and 21 of this report.

Higher metal prices received by most of the companies in the Falconbridge group were largely offset by the increased cost of labour, fuel and materials. Deliveries of electrolytic nickel were considerably below those of the previous year while deliveries of ferronickel were considerably higher. Deliveries of metal in concentrate form by Falconbridge Copper Limited were substantially below those of 1973.

Working Capital

Consolidated working capital (funds) increased during the year by $1,038,000 to $190,609,000. Funds from operations (adjusted for elimination of non-fund items) contributed $93,631,000 to the improvement; disposals of investments, fixed assets and other items contributed $10,720,000. Reductions in working capital resulted from expenditures of $71,538,000 on property, plant, equipment, development and preproduction, a $14,246,000 reduction of long-term debt and $9,911,000 in dividends paid to Company shareholders. Investments increased by $1,235,000. Dividends paid to and reduction of minority interest amounted to $6,383,000.

CONSOLIDATED CAPITAL EXPENDITURES BY GEOGRAPHICAL AREA 1974



Dividend

The directors declared a dividend of 25 cents per share in each of the first three quarters of 1974 and a further 25 cents together with an extra dividend of $1.00 per share payable on December 20, 1974, for a total of $2.00. The Company maintained its policy of using the larger part of the funds generated from all sources for projects which will foster the Company's growth.

Marketing Summary

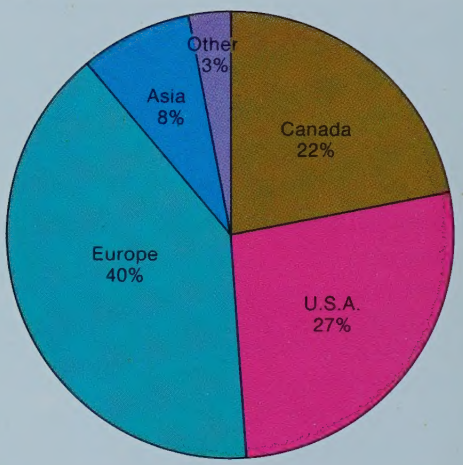
Metal deliveries (pounds) by the Integrated Nickel Operations and the Ferronickel Division:

	1974	1973
Electrolytic nickel in all forms*	93,595,000	102,018,000
Ferronickel	73,828,000	67,644,000
	167,423,000	169,662,000
Copper*	56,133,000	55,896,000
Cobalt	2,468,000	1,614,000

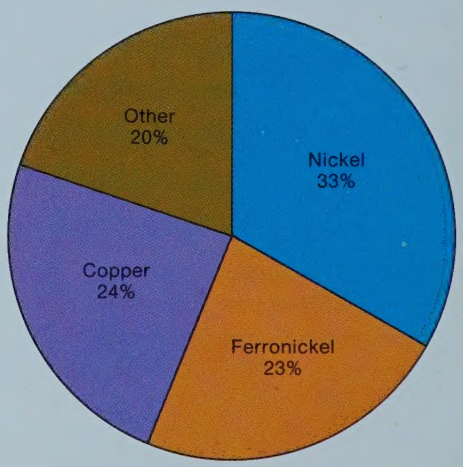
*Includes deliveries on a commission basis.

Deliveries of concentrates and blister copper containing 97,067,000 pounds of copper by subsidiary companies were below the 1973 quantity of 123,292,000 pounds. The greater proportion of this decrease is the result of lower production by Falconbridge Copper Limited due to the mining of less tonnage of ore of a somewhat lower grade caused by a labour shortage and some mining difficulties. Deliveries of gold, silver, zinc, lead, platinum, palladium and other metals by the Company and its subsidiary and associated companies increased slightly over 1973 levels.

CONSOLIDATED SALES REVENUES BY GEOGRAPHICAL AREA 1974



CONSOLIDATED SALES REVENUES BY PRODUCT 1974



Exploration

Falconbridge and its subsidiaries spent $13,751,000 on exploration work in 1974, an increase of $2,994,000 over the $10,757,000 in 1973. The increase in expenditure reflects increased activity in the vicinity of operating nickel mines, heavier exploration by some subsidiaries and the effect of increased costs due to inflation.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Of the total shown above, Falconbridge Nickel Mines Limited and its wholly-owned subsidiaries spent $9,506,000 and other subsidiaries spent $4,245,000 compared to $8,131,000 and $2,626,000 respectively in 1973.

Diamond drilling in 1974 further defined the copper sulphide deposits at Sustut Peak in north-central British Columbia and at a property close to Minto in the Yukon Territory. The results of this year's work confirmed the attitude, tonnage and grades of these two deposits. The deposit in the Yukon is owned by a joint venture group in which each of Falconbridge and United Keno Hill Mines Limited has a one-third interest.

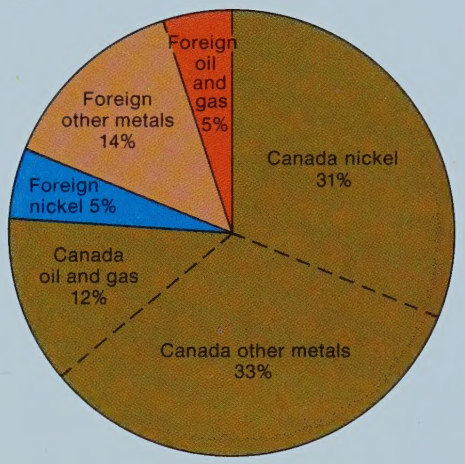
During 1974 Falconbridge Copper made a significant copper discovery in the southwestern part of its Lake Dufault property, and participated in a number of joint venture exploration projects in the Province of Quebec.

Alminex held varying interests in nineteen lease blocks in the Gulf of Mexico and discovery wells in Turkey, U.S.A. and Canada during 1974.

Overseas exploration programs were conducted in Australia, Norway and South America, and in southern Africa under a joint venture agreement in which Falconbridge has a half interest. Exploration for gold and silver was carried out in Nevada by a joint venture, in which Falconbridge has a one-third interest. Examinations of several properties were made in Mexico but none was recommended for further work. Drilling on the Elbe copper-zinc sulphide discovery in South West Africa, referred to in last year's report, was completed in 1974. In view of deteriorating world-wide economic conditions and the dramatic fall in copper prices, work leading to the bringing into production of this property was suspended.

Further diversification into oil and gas exploration in the United States has been obtained through participation with partners in the drilling of offshore leases in the Gulf of Mexico.

CONSOLIDATED EXPLORATION EXPENDITURES BY GEOGRAPHICAL AREA 1974



Research and Development

Expenditures on research and development increased to $4,382,000 from $3,304,000 in the previous year.

Major metallurgical research and development activities were centered around present and future smelting operations at the Sudbury Operations to improve working conditions and the local environment, and on a refinery process revision at the Kristiansand refinery in Norway to improve performance and reduce costs. Substantial testing and laboratory work was carried out in connection with these programs.

Other metallurgical research and development work was directed towards improving the operation of the ferro-nickel plant in the Dominican Republic and increasing the recoveries of nickel and copper in the milling operations in the Sudbury district.

In the Company's long-term mining research program, the principal activity was a continuing effort to reduce costs, and to improve productivity and mine environment. Economies were effected through continued improvements in such areas as ground control through the use of rock mechanics principles and cemented hydraulic back fill, mechanized LHD (load-haul-dump) loading and drilling equipment. Economies were also effected through refinements to existing support systems such as rock bolting and shotcreting, and refinements to cut-and-fill stoping methods. Several refrigeration units have been installed on an experimental basis in order to improve working conditions in deep workings at the Falconbridge Mine.

Preliminary investigations were completed in 1974 on the potential benefits of hydraulic hoisting of lump ore. The results of these modest research studies demonstrated the technical feasibility. The Company has now embarked on a larger research and development program for lifting ore 2,000 feet by this method at the Onaping Mine.

Environmental Control

In 1974 the Company appointed a senior technical officer to supervise all environmental programs for the Falconbridge group of companies. The responsibilities of his staff include the formulation, recommendation and implementation of pollution control programs in relation to mine water, plant sanitary systems, tailings disposal, the recovery and/or treatment of tailing effluents, gas emissions, ventilation and health standards.

Shareholders

At December 31, 1974 there were 11,205 shareholders, of whom 8,543 were of Canadian registry holding 4,554,459 shares. This represents 92 per cent of the 5,000,955 shares outstanding after deduction of 45,483 shares held by subsidiaries. At the end of the previous year there were 11,104 shareholders, of whom 8,341 were of Canadian registry holding 4,499,416 shares or 90 per cent.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS



Sudbury Operations — Headframe of the new Lockerby mine now under development at the west end of the Sudbury Basin. Ore from Lockerby will be treated in the Company's Strathcona mill.

REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

General

Corporate Philosophy and Policy

As a developer of natural resources in Canada and outside of Canada over a period of many years, the Falconbridge group of companies has learned to live, work and think internationally. The first-hand experience gained over this period of time in a variety of climates and cultures and under varying political regimes has shaped its operating philosophy along very practical lines. All companies in the Falconbridge group, wherever they operate or explore, are guided by these basic corporate policies: To conform to the laws of the country in which they are operating, to work within the social aspects of the local political system and to compensate all employees at each location with equal pay for equal skills.

Economic Environment

Continually rising costs facing all facets of any mining organization today, coupled with shortages and high turnover of manpower in most areas and indicated increases in federal and provincial income and mining taxes in Canada, have had an adverse effect on the earnings of the group. Increased product prices have not maintained profits and working capital at levels necessary to finance replacements and expansions and to compensate shareholders adequately.

Inflation factors make it difficult to compare on a meaningful basis the results of operations over several years. The return on the consolidated average total assets less current liabilities was 4.6% in 1974, as compared to 11.3% in 1973. Many of the assets on the Company's books were purchased some years ago and their replacement cost today would be considerably in excess of their original cost. In periods of rapid inflation, depreciation is insufficient to cover the cost of replacement of assets and consequently a significantly larger part of the profits must be set aside even to maintain the present level of operations. If the assets were shown at their replacement cost there would be an increased depreciation charge which would reduce earnings and the percentage return on net assets. Because Falconbridge values its inventories on a last-in first-out basis the effect of inventory profits (profits arising from the sale of products which cost significantly less than their replacement cost) are largely eliminated.

The numerous proposed increases in taxes and royalties during 1974 by the federal and various provincial governments have had a very unsettling effect on corporate planning and activities. This unreasonable burden has had and will continue to have a serious effect on the consolidated earnings of the group unless governments cease taxing the mining industry at higher rates than those applying to other industries. These changes had the effect of increasing the consolidated 1974 tax provision by $12,400,000 and oil and gas royalties imposed by provincial governments were $2,300,000 higher for those portions of the year to which the proposed changes apply. The full impact of the new legislation will appear in future years in the form of increased taxes and royalties payable to the Canadian federal and provincial treasuries.

The effect of government taxation policies on the future development of the Company and the mining and its related service industries in general is indicated in the ratio of income and mining taxes as a percentage of consolidated earnings which increased from 34 per cent in 1973 to 61 per cent in 1974. The ratio of income and mining taxes of the integrated nickel operations as a percentage of its earnings increased from 44 per cent in 1973 to 75 per cent in 1974. This excessive redirection of earnings to governments reduces the availability of funds for exploration, expansion and job-creating mining projects in Canada.

Appreciation

The progress made by the Company and its subsidiaries during the past year resulted from the combined efforts of management and employees at many locations in Canada and abroad. Your Directors express their very sincere appreciation to all personnel for the achievements recorded by the Falconbridge organization in 1974 — a period made extremely difficult by the international energy crisis and continually soaring taxes and costs of goods and services.

The fine cooperation extended by shareholders, customers, plant communities and government agencies, and the service and support provided by suppliers and contractors, are also gratefully acknowledged.

On behalf of the Board of Directors:



MARSH A. COOPER,
President and Managing Director.

Toronto, Ontario.
February 10, 1975.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS SUBSIDIARIES

Clarkson, Gordon & Co.
Chartered Accountants

Royal Trust Tower
P.O. Box 251, Toronto-Dominion Centre
Toronto, Canada, M5K 1J7

St. John's Halifax Saint John Quebec Montreal
Ottawa Toronto Hamilton Kitchener London
Windsor Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 864-1234 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Falconbridge Nickel Mines Limited:

We have examined the consolidated balance sheet of Falconbridge Nickel Mines Limited and its subsidiaries as at December 31, 1974 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. We have also examined the statement of supplementary information as at December 31, 1974 and for the year then ended and the statement of investment in associated and other companies as at December 31, 1974. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of Falconbridge Nickel Mines Limited and its subsidiaries as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, and the statement of supplementary information and the statement of investment in associated and other companies present fairly the information set forth therein, all in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in accounting described in note 1(b) of the consolidated financial statements, with which change we concur.

Clarkson, Gordon & Co.

Toronto, Canada,
March 6, 1975.

Chartered Accountants

ACCOUNTING POLICIES

The principal accounting policies followed by Falconbridge Nickel Mines Limited and its subsidiaries are summarized hereunder to facilitate review of the consolidated financial statements contained in this report.

A. Basis of consolidation

Falconbridge consolidates the accounts of domestic and foreign subsidiary companies (owned more than 50%), and accounts on an equity basis for effectively controlled companies.

B. Translation of foreign currencies

(i) Current assets and current liabilities are translated into Canadian dollars at quoted current rates of exchange at December 31;
(ii) Items included in property, plant and equipment, other assets, and non-current liabilities are translated into Canadian dollars at the rates of exchange prevailing at the dates the transactions were recorded;
(iii) Revenues and expenses are translated into Canadian dollars at the average monthly quoted rates of exchange except that provisions for depreciation are translated at the rates prevailing when the expenditures on the related assets were made; and
(iv) Gains on translation of foreign subsidiaries' accounts for consolidation purposes are deferred and losses are reflected in earnings.

C. Valuation of inventories

Metals inventories are valued at the lower of cost or net realizable value. The cost of inventories derived from Falconbridge's ore is determined on a "last-in, first-out" basis; the cost of inventories derived from the subsidiaries' ore and other sources is determined on a "first-in, first-out" basis. The cost of supplies inventories is determined on an average cost basis.

D. Depreciation, depletion and amortization

(i) Falconbridge calculates depreciation on the straight-line method at the rate of 10% per annum on all plant and equipment in use; the subsidiary companies calculate depreciation on the straight-line method at rates varying from 5% to 25%, except Alminex Limited which provides depreciation on a diminishing balance basis at rates varying from 4% to 30%;
(ii) Depletion of properties is provided over a period equal to the lesser of the estimated life of the resources recoverable from the properties or twenty-five years;
(iii) Development and preproduction expenditures are deferred until the commencement of commercial production and then written off at rates designed to amortize the expenditures over periods not longer than the lives of the producing mines or properties;
(iv) Repairs and maintenance are charged to operations or development and preproduction; major betterments and replacements are capitalized. Upon sale or retirement, the cost of the fixed assets and the related accumulated depreciation are removed from the accounts and any gains or losses thereon are taken into earnings; and
(v) Discount and financing expenses incurred in connection with long-term debt obligations are amortized over the period that the related obligations are outstanding.

E. Exploration

The general policy is to write off exploration costs as incurred. It is the practice of the subsidiaries in the oil and gas industry to charge against earnings, as incurred, all carrying charges on unproven properties, cost of dry holes drilled and exploration expenses; acquisition costs of unproven properties are charged to earnings when the properties are surrendered.

F. Income and mining taxes

All companies follow the tax allocation method of accounting. Under this method, timing differences between the amount of income reported for tax purposes and the amount of accounting income (which arise principally as a result of claiming depreciation and preproduction at rates differing from those recorded in the accounts), result in provisions for deferred taxes and these are segregated in the deferred income and mining tax account at the year-end.

G. Retirement plans

The costs of retirement plans are charged against income in the year premiums or required fundings are payable. Past service costs are generally being funded over periods of up to 15 years.

H. Research and process development

Research and process development costs are charged against income as incurred.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS SUBSIDIARIES

STATEMENT 2

CONSOLIDATED STATEMENTS OF EARNINGS AND RETAINED EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 1974

CONSOLIDATED STATEMENT OF EARNINGS

(See additional details — Statement 4, page 20)

	1974 (000's)	1973 (000's)
Revenues	**$ 457,827**	$ 438,163
Operating expenses:		
Costs other than the undermentioned items	**286,838**	231,015
Selling, general and administrative expenses	**22,246**	18,420
Development and preproduction expenditures written off	**20,574**	20,782
Depreciation and depletion	**30,341**	30,364
	359,999	300,581
Operating profit	**97,828**	137,582
Interest and amortization of debt expenses (net of interest and other income of $15,565,000 in 1974 and $6,895,000 in 1973)	**11,162**	20,511
Expenditures on exploration	**13,751**	10,757
Expenditures on research and process development	**4,382**	3,304
	29,295	34,572
Earnings before taxes and other items	**68,533**	103,010
Income and mining taxes (note 3, page 16):		
Current	**27,736**	15,336
Deferred	**14,218**	19,204
	41,954	34,540
Earnings after taxes, before other items	**26,579**	68,470
Income from investment in associated and other companies (including net gain on disposals less write-offs of $471,000 in 1974 and $83,000 in 1973)	**4,773**	3,276
Earnings before minority interest and extraordinary item	**31,352**	71,746
Minority shareholders' interest in earnings of subsidiary companies	**9,376**	22,886
Earnings before extraordinary item	**21,976**	48,860
Deferred tax adjustment resulting from write-down of assets in 1972		7,100
Earnings for the year	**$ 21,976**	$ 55,960
Earnings per share (note 6, page 18):		
Before extraordinary item	**$ 4.43**	$ 9.86
For the year	**$ 4.43**	$ 11.29

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Retained earnings, beginning of year:		
As previously reported	**$ 205,114**	$155,065
Adjustments relating to prior years (note 1, page 16):		
Change in tax accounting	**(1,312)**	(1,347)
Income and mining taxes	**1,793**	872
Property expropriation	**669**	669
As restated	**206,264**	155,259
Earnings for the year	**21,976**	55,960
	228,240	211,219
Dividends (1974 — $2.00 per share; 1973 — $1.00 per share)	**9,911**	4,955
Retained earnings, end of year	**$ 218,329**	$ 206,264

(See notes to consolidated financial statements)

STATEMENT 3

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED DECEMBER 31, 1974

	1974 (000's)	1973 (000's)
Sources of working capital (funds):		
From operations, being —		
Earnings for the year before extraordinary item	**$ 21,976**	$ 48,860
Add (deduct) items entering into the determination of earnings which neither use nor provide funds:		
Depreciation and depletion	**30,341**	30,364
Deferred development and preproduction expenditures written off	**20,574**	20,782
Amortization of debt expenses	**270**	269
Income and mining taxes deferred	**14,218**	19,204
Minority shareholders' interest in earnings of subsidiary companies	**9,376**	22,886
Gains on disposal of fixed assets	**(983)**	129
Gains on disposal of investments	**(471)**	(83)
Interest in earnings of controlled companies accounted for on an equity basis in excess of dividends received	**(1,670)**	(1,130)
Total from operations	**93,631**	141,281
Proceeds from disposal of investments	**2,308**	1,076
Proceeds from disposal of fixed assets and settlement in 1974 from contractors in respect of the nickel-iron refinery	**8,129**	2,343
Decrease in other non-current assets	**281**	1,388
Issue of shares for cash	**2**	58
	104,351	146,146
Applications of working capital:		
Expenditures on property, plant and equipment	**45,733**	24,574
Development and preproduction expenditures	**25,805**	20,301
Decrease in long-term debt	**14,246**	12,820
Dividend payments to company shareholders	**9,911**	4,955
Dividends paid to and reduction of minority interest	**6,383**	8,011
Increase in investment in associated and other companies	**1,235**	103
	103,313	70,764
Increase in working capital during the year	**$ 1,038**	$ 75,382
Changes in components of working capital:		
Increase (decrease) in current assets —		
Cash and temporary investments	**$ 30,998**	$ 56,399
Accounts and metal settlements receivable	**(25,451)**	40,366
Inventories	**10,664**	(6,765)
	16,211	90,000
Increase (decrease) in current liabilities —		
Bank indebtedness	**50**	(1,908)
Long-term debt maturing within one year	**(586)**	12,620
Other current liabilities	**15,709**	3,906
	15,173	14,618
Increase in working capital during the year	**1,038**	75,382
Working capital, beginning of year	**189,571**	114,189
Working capital, end of year	**$ 190,609**	$ 189,571

(See notes to consolidated financial statements)

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 1974

1. Accounting policies and retroactive adjustments

(a) Principal accounting policies
The principal accounting policies followed by Falconbridge and its subsidiary companies are detailed under the caption "Accounting policies" on page 11.

(b) Change in accounting policies and other retroactive adjustments
The accounting change and other adjustments described below have been treated as prior period adjustments and applied retroactively to the income of the periods to which they relate. These changes have no material effect on 1974 consolidated earnings. Consolidated earnings for 1973, as restated, were increased by $956,000 (19¢ per share).

(i) Alminex Limited (a subsidiary), in common with many other companies in the oil and gas industry in Canada, adopted the tax allocation method of accounting;

(ii) Tax assessments were received by certain subsidiary and controlled companies relating to 1973 and prior years; and

(iii) Settlement was received by Indusmin Limited (a subsidiary) in respect of property expropriated in 1969.

2. Non-producing assets

Non-producing assets include $33,630,000 (1973 — $33,583,000) for exploration, development and other expenditures relating to New Quebec Raglan Mines Limited and its subsidiary company, Raglan Quebec Mines Limited in the development of that subsidiary company's Cape Smith-Wakeham Bay properties. These expenditures have been deferred with the intention that they should be amortized by charges against income from future mining operations.

While exploration and development at the properties have been suspended, studies are continuing regarding the feasibility of alternate methods of bringing the properties into production. Development work and feasibility studies on this project to date have not resulted in conclusions that the expenditures on the properties will or will not be recoverable by charges against income from future mining operations. The recovery of these costs from operations is dependent upon the obtaining of adequate financing, the successful development of an economic mining operation, and the marketing of concentrate production.

See note 5 of the notes to statement of supplementary information on page 23 for details of the assets in this category.

3. Income and mining taxes

(a) During 1974 the Canadian federal and certain provincial governments introduced legislation to amend the various acts under which they collect taxes, royalties and duties. On February 21, 1975, the government of Ontario made further changes to its mining tax regulations which impose additional mining taxes on the company retroactive to April 9, 1974. Although the federal and certain of the provincial legislative amendments have not been enacted and some of the proposals have not yet been set out in sufficient detail to remove doubt as to their ultimate effect, the changes have been taken into account in the calculation of the 1974 income and mining tax provisions on the basis of the best information available. These changes had the effect of increasing the consolidated 1974 tax provision by $12,400,000 for those portions of the year to which the proposed changes apply.

(b) The 1973 operating profit included tax exempt income of $24,347,000 from new mines (principally belonging to Falconbridge Copper Limited). Tax exemption for new mine income under the Tax Acts terminated on December 31, 1973.

4. Foreign exchange translation

(a) If translated into Canadian dollars at quoted current rates of exchange at December 31, 1974 —

(i) Long-term debt would decrease by $4,741,000 to $270,114,000; and

(ii) The carrying value of debentures included with investment in associated and other companies would increase by $173,000.

These changes are not necessarily indicative of the amounts which will be repayable when the obligations are retired.

(b) Exchange losses on foreign currency transactions included in earnings amounted to $1,686,000 in 1974 (1973 — $733,000); gains which have been deferred amounted to $706,000 at December 31, 1974 (1973 — $404,000).

5. Long-term debt

A. Details of long-term debt are as follows:

	1974 (000's)	1973 (000's)
(i) Falconbridge Nickel Mines Limited		
7.75% Sinking fund debentures maturing February 1991 (a)	$ 50,000	$ 50,000
8.85% Sinking fund debentures maturing May 1996 (U.S. $50,000,000) (b)	51,094	51,094
Bank loan due January 1977 (11½% at December 31, 1974)	10,000	10,000
Mortgages on company housing and other obligations	2,586	3,481
Total (1974 net of $404,000 maturing within one year)	$ 113,680	$ 114,575

(a) No portion of the principal is due on the 7.75% debentures until 1977 when the company is required to commence sinking fund payments sufficient to retire $1,250,000 principal amount of debentures in each of the years 1977 to 1990.

(b) No portion of the principal is due on the 8.85% debentures until 1981 when the company is required to commence sinking fund payments sufficient to retire U.S. $3,000,000 principal amount of debentures in each of the years 1981 to 1995.

(ii) Falconbridge Dominicana, C. por A.		
(a) Due to Loma Corporation* (payable in U.S. currency) —		
8% Series B demand mortgage notes	RD$ 30,750	RD$ 41,000
8½% Series C demand mortgage notes	80,000	80,000
8½% Series D demand subordinate notes	34,000	34,000
	144,750	155,000

* Payment will only be demanded in certain circumstances, the most significant being to meet payment due on notes of Loma Corporation (a U.S. financing company) issued in the same principal amounts and at the same interest rates as the above demand notes, as follows:

8% Series B secured sinking fund notes, due semi-annually 1975 to 1977 inclusive;

8½% Series C secured sinking fund notes, due semi-annually 1976 to 1986 inclusive; and

8½% Series D guaranteed sinking fund notes, due semi-annually 1987 to 1991 inclusive.

(b) Due to International Bank for Reconstruction and Development — 7% Loans, due semi-annually 1975 to 1984 inclusive, payable in various currencies	21,739	23,913
	166,489	178,913
(c) Company housing — 9½% Mortgages on company housing repayable monthly to 1993, in Dominican Republic currency	2,337	2,394
	168,826	181,307
Less long-term debt maturing within one year (Cdn. $12,809,000 in 1974)	12,484	12,478
Total — Expressed in Dominican Republic currency	RD$ 156,342	RD$ 168,829
Total — Expressed in Canadian currency	$ 160,602	$ 173,431
(iii) Other companies		
Total (1974 net of $166,000 maturing within one year)	$ 573	$ 1,095

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

(iv) **Maturities and sinking fund requirements**

Maturities and sinking fund requirements (exclusive of foreign exchange adjustments) for the next five years are as follows:

1975 — $13,379,000	1978 — $11,695,000
1976 — $16,870,000	1979 — $11,700,000
1977 — $31,940,000	

B. Guarantees, covenants and restrictions:

(i) Falconbridge has guaranteed portions of the long-term debt of Falconbridge Dominicana, C. por A. (Falcondo), details of which are as follows —

(a) All loans are secured by a first mortgage on the assets of Falcondo and by a contract under which Falconbridge Nickel Mines Limited has agreed to buy all ferronickel of commercial value produced by Falcondo. Falconbridge is also obligated to provide 60% of the funds required by Falcondo to enable it to meet its operating costs and debt service obligations in the event receipts from the sale of ferronickel produced by Falcondo and other receipts are insufficient for that purpose. The loans (except for the loans from the International Bank for Reconstruction and Development and for company housing) are covered by a specific risk insurance issued by the Overseas Private Investment Corporation.

(b) Falconbridge has pledged all of its holdings of its shares of Falcondo against repayment of these loans, except the subordinated portion of U.S. $34,000,000. In addition, Falconbridge has made a direct guarantee for repayment of 60% of this subordinated portion of the loans.

(c) In accordance with the terms of the loan agreements, funds of $14,518,000 (1973 — $14,418,000) (included with cash and temporary investments) are on deposit with the Trustee for use in paying current debt service and other expenses of Falcondo.

(ii) During the period that the Falcondo loans are outstanding, there are certain restrictions placed on the amount and nature of borrowing that Falconbridge can undertake. Covenants given by Falconbridge in this respect are substantially the same (other than the restriction on the payment of dividends) as those given by Falconbridge under its 8.85% debentures which include limitations as to:

(a) The amount of dividends which may be paid by Falconbridge (see (iii) below);

(b) The assumption of additional long-term debt; and

(c) Guarantees which it may give on certain indebtedness of its subsidiary and other companies.

(iii) At December 31, 1974, the portion of retained earnings restricted and not available for dividend payment was $171,163,000.

6. Earnings per share

Earnings per share have been computed using the weighted average number of shares outstanding (excluding shares held by subsidiary companies). Inclusion in the earnings per share computation of shares subject to purchase under outstanding options would produce substantially the same per share results.

7. Commitments

(a) The company is committed to an environmental improvement project involving major revisions to its smelting facilities at Falconbridge, Ontario. It is estimated that the cost of constructing the new facilities will approximate $95,000,000 (of which $4,113,000 has been expended to December 31, 1974) with completion in 2 to 3 years.

(b) Directives of the Ontario Government in connection with the construction of Canadian refining facilities are under continuing discussion with government officials and, pending completion of such discussions, it is not practicable to estimate the potential costs involved.

(c) There are commitments outstanding aggregating approximately $17,000,000 in connection with capital expenditures of the company and its subsidiaries.

8. Retirement plans

The company and certain of its Canadian subsidiaries maintain retirement plans providing retirement, death and termination benefits for substantially all salaried and hourly rated employees.

Total pension expense for the year was $5,598,000 (1973 — $4,692,000) including past service costs of $2,149,000 (1973 — $1,491,000). Based on the most recent actuarial evaluation the unfunded past service cost for all pension plans in effect at December 31, 1974 is approximately $15,000,000 (1973 — $12,000,000) including $8,200,000 (1973 — $7,000,000) which is computed to have vested. The companies have no legal liability with regard to the past service cost including that portion which has vested.

9. Stock options

During the year 60 shares were issued under the stock option plan available to employees. Options on 25,060 shares, expiring December 19, 1978, remain outstanding. Under revisions effected in 1974 the price for which share options outstanding may be issued was changed from $63.45 to $25.00 per share (being the closing bid price for the shares of the company on September 30, 1974, less a discount of 10%) and loans may be granted to assist employees in the purchase of shares under options (at December 31, 1974 the total loaned, included with accounts and metal settlements receivable, was $1,250).

10. Remuneration of directors and senior officers

Charges included in the consolidated statement of earnings for remuneration paid or payable to directors and senior officers, as defined under the Business Corporations Act of Ontario, amounted to $1,444,000 (1973 — $1,166,000).

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS SUBSIDIARIES

STATEMENT OF SUPPLEMENTARY INFORMATION *(Thousands of dollars)*

December 31, 1974

% ownership	Integrated Nickel Operations (100%) (note 2)	Unallocated corporate (100%) (note 2)	Alminex Limited (51.1%)	Falconbridge Copper Limited (50.2%) (note 3)	Falconbridge Dominicana, C. por A. (65.7%) (note 3)	Indusmin Limited (69.0%)	Oamites Mining Company (Proprietary) Limited (74.9%)	Wesfrob Mines Limited (100%)
OPERATIONS (note 3):								
Revenues	$ 217,397	$ 1,938	$ 14,319	$ 64,993	$ 99,263	$ 17,863	$ 13,660	$ 12,450
Operating expenses —								
Costs other than the undermentioned items	139,540		1,261	39,674	68,091	10,990	8,301	8,261
Selling, general and administrative expenses	10,950	2,733	258	797	3,715	2,106	1,008	70
Development and preproduction expenditures written off	12,415		761	3,500	2,844	183	144	1,232
Depreciation and depletion	13,112	605	1,818	2,985	7,185	1,995	944	1,211
	176,017	3,338	4,098	46,956	81,835	15,274	10,397	10,774
Operating profit	41,380	(1,400)	10,221	18,037	17,428	2,589	3,263	1,676
Interest and amortization of debt expenses (net)	(1,647)	(509)	(405)	(1,526)	14,964	314	49	
Expenditures on exploration	4,921	3,450	2,319	1,857	31			974
Expenditures on research and process development	4,382							
	7,656	2,941	1,914	331	14,995	314	49	974
Earnings before taxes and other items	33,724	(4,341)	8,307	17,706	2,433	2,275	3,214	702
Income and mining taxes	25,329	(311)	3,455	9,080	856	963	1,302	59
Earnings from operations	8,395	(4,030)	4,852	8,626	1,577	1,312	1,912	643
Investment income (net)		4,143		58		84		
Earnings before extraordinary item	$ 8,395	$ 113	$ 4,852	$ 8,684	$ 1,577	$ 1,396	$ 1,912	$ 643
Falconbridge's interest in above earnings after consolidation adjustments (note 3)	$ 8,395	$ 113	$ 2,922	$ 3,363	$ 3,309	$ 966	$ 1,433	$ 683
WORKING CAPITAL (note 4):								
Current assets	$ 204,970		$ 6,800	$ 23,178	$ 54,137	$ 6,946	$ 2,302	$ 4,153
Current liabilities	75,807		1,439	6,430	25,196	4,677	737	1,456
	$ 129,163		$ 5,361	$ 16,748	$ 28,941	$ 2,269	$ 1,565	$ 2,697
PROPERTY, PLANT AND EQUIPMENT (note 5):								
Producing assets, at net book value —								
Plant and equipment	$ 61,909		$ 2,189	$ 4,494	$ 113,429	$ 10,962	$ 6,024	$ 5,333
Land and properties	5,021		13,847	3,386	1,800	858	202	
Development and preproduction expenditures	18,045		5,527	1,137	40,934	597	952	3,618
	$ 84,975		$ 21,563	$ 9,017	$ 156,163	$ 12,417	$ 7,178	$ 8,951
Non-producing assets, at cost less amounts written off	$ 72,583		$ 4,436	$ 23,150		$ 667		
PRINCIPAL PRODUCTS	Nickel and copper		Oil and gas	Copper and zinc	Ferronickel	Syenite, silica and aggregates	Copper	Iron and copper
PRINCIPAL LOCATION OF ASSETS	Ontario, Manitoba, Norway		Alberta	Quebec, Ontario	Dominican Republic	Ontario, Quebec	South West Africa	British Columbia
MARKET VALUE OF FALCONBRIDGE'S SHAREHOLDINGS (note 6)			$ 16,830	$ 42,313		$ 4,937		

(See notes to statement of supplementary information)

STATEMENT 4

Others	Consolidated total (after adjustments) (note 3)	December 31, 1973									
		Integrated nickel operations (100%)	Unallocated corporate (100%)	Alminex Limited (51.1%)	Falconbridge Copper Limited (50.2%)	Falconbridge Dominicana, C. por A. (65.7%)	Indusmin Limited (69.0%)	Oamites Mining Company (Proprietary) Limited (74.9%)	Wesfrob Mines Limited (100%)	Others	Consolidated total (after adjustments) (note 3)
$ 11,627	**$ 457,827**	$ 204,517	$ 1,162	$ 11,329	$ 79,278	$ 91,268	$ 16,145	$ 13,643	$ 12,979	$ 8,558	**$ 438,163**
9,416	**286,838**	124,802		1,673	35,316	40,693	9,671	6,272	6,589	6,299	**231,015**
1,248	**22,246**	8,481	2,588	262	739	2,907	1,760	653	59	1,998	**18,420**
	20,574	12,179		489	4,317	2,837	175	148	1,142		**20,782**
380	**30,341**	13,423	417	1,915	2,768	7,138	1,886	814	1,469	367	**30,364**
11,044	**359,999**	158,885	3,005	4,339	43,140	53,575	13,492	7,887	9,259	8,664	**300,581**
583	**97,828**	45,632	(1,843)	6,990	36,138	37,693	2,653	5,756	3,720	(106)	**137,582**
(79)	**11,162**	2,009	1,818	(214)	(605)	16,901	274	431	(3)	(102)	**20,511**
199	**13,751**	5,426	1,535	1,862	666	93			1,132	44	**10,757**
	4,382	3,315									**3,304**
120	**29,295**	10,750	3,353	1,648	61	16,994	274	431	1,129	(58)	**34,572**
463	**68,533**	34,882	(5,196)	5,342	36,077	20,699	2,379	5,325	2,591	(48)	**103,010**
308	**41,954**	15,457	(1,561)	2,225	8,531	6,868	602	2,116	91	104	**34,540**
155	**26,579**	19,425	(3,635)	3,117	27,546	13,831	1,777	3,209	2,500	(152)	**68,470**
578	**4,773**		2,083		46		59			1,133	**3,276**
$ 733	**$ 31,352**	$ 19,425	$ (1,552)	$ 3,117	$ 27,592	$ 13,831	$ 1,836	$ 3,209	$ 2,500	$ 981	**$ 71,746**
$ 792	**$ 21,976**	$ 19,425	$ (1,552)	$ 2,040	$ 12,074	$ 9,933	$ 1,281	$ 2,406	$ 2,491	$ 762	**$ 48,860**
$ 6,819	**$ 282,750**	$ 184,110		$ 5,727	$ 36,508	$ 58,483	$ 6,776	$ 3,358	$ 4,093	$ 4,862	**$ 266,539**
2,016	**92,141**	67,528		1,800	11,290	22,269	5,139	4,170	1,343	1,295	**76,968**
$ 4,803	**$ 190,609**	$ 116,582		$ 3,927	$ 25,218	$ 36,214	$ 1,637	$ (812)	$ 2,750	$ 3,567	**$ 189,571**
$ 3,971	**$ 208,311**	$ 69,696		$ 2,293	$ 5,189	$ 115,318	$ 10,104	$ 5,819	$ 6,410	$ 4,141	**$ 218,970**
131	**25,245**	5,352		14,348	4,352	1,785	932	233		125	**27,127**
	70,810	22,271		4,747	2,501	43,134	779	1,096	4,530		**79,058**
$ 4,102	**$ 304,366**	$ 97,319		$ 21,388	$ 12,042	$ 160,237	$ 11,815	$ 7,148	$ 10,940	$ 4,266	**$ 325,155**
$ 41,104	**$ 141,940**	$ 53,919		$ 2,653	$ 10,123		$ 667			$ 40,312	**$ 107,674**
		Nickel and copper		Oil and gas	Copper and zinc	Ferronickel	Syenite, silica and aggregates	Copper	Iron and copper		
		Ontario, Manitoba, Norway		Alberta	Quebec, Ontario	Dominican Republic	Ontario, Quebec	South West Africa	British Columbia		
$ 21,959	**$ 86,039**			$ 26,614	$ 73,234		$ 7,557			$ 38,505	**$ 145,910**

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS SUBSIDIARIES

NOTES TO STATEMENT OF SUPPLEMENTARY INFORMATION
DECEMBER 31, 1974

1. Translation of foreign currencies

Foreign currency items have been translated into Canadian dollars as explained in note B of the accounting policies on page 11.

2. Integrated nickel operations and Unallocated corporate

Included under the caption "Integrated nickel operations" are the accounts of the company and all its wholly-owned subsidiaries engaged in the integrated operations of mining, milling, smelting, refining and marketing of nickel derived from Canadian ore. That portion of the company's corporate expenditures relating to the overall direction and management of other activities of the Falconbridge group of companies has been segregated under the caption "Unallocated corporate".

3. Operations

Adjustments have been made on consolidation as follows:

(a) Amortization of purchase discrepancies

Generally the difference between Falconbridge's interest in the book value of the net assets of its subsidiaries and the carrying value in the company's accounts, is amortized in each case over the lesser of (i) the estimated life of the subsidiary's recoverable resources and (ii) a period of twenty-five years from the date of acquisition of the investment or the date the subsidiary commenced operations.

(b) Falconbridge Copper Limited

Falconbridge has agreed to waive its right to dividends on 983,000 shares of Falconbridge Copper Limited which it holds, until such time as its Sturgeon Lake property is declared to be in commercial production. Accordingly, Falconbridge has computed its interest in the earnings of Falconbridge Copper on a basis which excludes these shares from the calculation. Metallurgical and other start-up problems have delayed the achievement of commercial production in 1974.

(c) Falconbridge Dominicana, C. por A. (Falcondo)

The ferronickel produced by Falcondo is purchased and marketed by Falconbridge. The earnings of Falcondo include profits on all ferronickel sold to Falconbridge, whereas consolidated earnings exclude the profits relating to inventories of ferronickel held by Falconbridge at December 31 for subsequent resale to customers.

4. Working capital

See note 5B of the notes to consolidated financial statements for particulars of long-term debt and funds held in trust in respect of Falcondo.

5. Property, plant and equipment

Where appropriate the unamortized difference between Falconbridge's interest in the book value of the net assets of its subsidiaries and the carrying value of the company's investment has been included with the subsidiary's plant and equipment, land and properties, or development and preproduction expenditures.

The following are included under the caption "Non-producing assets":

Company and project	1974 (000's)	1973 (000's)
Falconbridge Nickel Mines Limited —		
Lockerby mine	$ 42,250	$ 30,787
Nickel-iron refinery complex (a)	2,939	9,000
Smelter environmental improvement project including the acid plant	4,113	
Other projects	15,447	14,132
Falconbridge Copper Limited —		
Sturgeon Lake joint venture and Cooke Mine	23,150	10,123
Falconbridge Nikkelverk Aktieselskap —		
Process revision changeover programme	7,125	
New Quebec Raglan Mines Limited —		
Subsidiary's Cape Smith-Wakeham Bay properties (b)	33,630	33,583
Other subsidiary companies' projects	13,286	10,049
	$ 141,940	$ 107,674

(a) In 1972 the company wrote down the carrying value of the complex to $9,000,000 which is now further reduced by the total of settlements made with contractors, a sales tax rebate and assets transferred to other locations. Should it be determined that the complex cannot be used in alternate processes under study the adjusted carrying value is expected to be recovered in salvage.

(b) See note 2 on page 16.

6. Market value of Falconbridge's shareholdings

The market values shown are based on Canadian stock exchanges' closing bid prices on December 31, 1974 and 1973. Because of the number of shares held by Falconbridge (representing control of the companies concerned), the amounts that could be realized if these securities were to be sold may be more or less than their indicated market value.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS SUBSIDIARIES

STATEMENT 5

STATEMENT OF INVESTMENT IN ASSOCIATED AND OTHER COMPANIES

	Shares			Carrying value	
	Shares of common stock	Beneficial interest	Indicated market value (note 1)	Shares	Bonds, notes and advances
December 31, 1974:			(000's)	(000's)	(000's)
Akaitcho Yellowknife Gold Mines Limited	1,198,230	36.7%	$ 1,977	$ 232	
Dickstone Copper Mines Ltd.	517,725	27.2	243		
Dunraine Mines Limited	1,068,558	48.6	160	59	$ 52
Giant Yellowknife Mines Limited	824,413	19.2	7,832	3,799	
McIntyre Mines Limited	175,825	7.4	4,967	10,175	
Thompson-Lundmark Gold Mines Limited	600,000	12.0	126	377	
United Keno Hill Mines Limited (note 2)	1,195,989	48.4	7,774	6,094	
Western Platinum Limited (no quoted market value)	2,500,001	25.0		6,214	6,267
Other companies (note 2)			162	1,485	1,233
			$ 23,241	$ 28,435	$ 7,552
				$ 35,987	
December 31, 1973:					
Akaitcho Yellowknife Gold Mines Limited	1,198,230	36.7%	$ 1,737	$ 232	
Dickstone Copper Mines Ltd.	517,725	27.2	197		
Dunraine Mines Limited	1,068,558	48.6	171	59	$ 48
Giant Yellowknife Mines Limited	824,413	19.2	8,347	3,799	
McIntyre Mines Limited	175,825	7.4	8,835	10,175	
Thompson-Lundmark Gold Mines Limited	600,000	12.0	162	377	
United Keno Hill Mines Limited (note 2)	1,195,989	48.4	5,621	4,662	
Western Platinum Limited (no quoted market value)	2,500,001	25.0		6,214	7,444
Other companies (note 2)			324	1,192	717
			$ 25,394	$ 26,710	$ 8,209
				$ 34,919	

Notes: 1. The market values shown are based on Canadian stock exchanges' closing bid prices on December 31, 1974 and 1973. Because of the number of shares involved the amounts that could be realized if these securities were to be sold may be more or less than their indicated market value.

2. The carrying value represents the cost of the investments less amounts written off, and also reflects the interest in earnings (losses) of United Keno Hill Mines Limited and certain of the "Other companies" which are accounted for on an equity basis.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS SUBSIDIARIES

SUMMARY OF 1974 CONSOLIDATED RESULTS BY QUARTERS
(Unaudited — 000's omitted)

	1974 Three months ended					
	March 31	June 30	Sept. 30	Dec. 31	Year	1973
Metal deliveries (pounds):						
Integrated nickel operations —						
Nickel	20,597	22,167	22,382	24,318	89,464	99,408
Copper	13,445	13,552	12,436	14,548	53,981	53,725
Cobalt	796	604	462	606	2,468	1,614
Falconbridge Copper Limited —						
Copper	16,437	14,158	12,801	13,515	56,911	80,935
Zinc	7,539	9,088	7,245	6,966	30,838	37,950
Falconbridge Nickel Mines Limited (note 3) —						
Ferronickel (deliveries to customers)	20,257	19,264	17,376	16,931	73,828	67,644
Earnings:						
Revenues from metals and other products	$ 114,846	$ 121,635	$ 109,099	$ 112,247	$ 457,827	$ 438,163
Interest, investment and other income	4,036	6,796	4,368	5,138	20,338	10,171
	118,882	128,431	113,467	117,385	478,165	448,334
Costs other than the undermentioned	68,397	78,194	78,357	84,136	309,084	249,435
Depreciation, depletion, development and preproduction written off	13,133	12,620	12,804	12,358	50,915	51,146
Exploration, research and process development	3,988	4,742	4,630	4,773	18,133	14,061
Interest and amortization of debt expenses	6,566	6,941	6,536	6,684	26,727	27,406
Income and mining taxes	11,299	14,859	8,952	6,844	41,954	34,540
Minority interest in earnings of subsidiaries	5,155	2,581	988	652	9,376	22,886
	108,538	119,937	112,267	115,447	456,189	399,474
Earnings before extraordinary item	10,344	8,494	1,200	1,938	21,976	48,860
Deferred tax adjustment resulting from write-down of assets in 1972						7,100
Earnings for the period	$ 10,344	$ 8,494	$ 1,200	$ 1,938	$ 21,976	$ 55,960
Earnings per share —						
Before extraordinary item	$ 2.09	$ 1.71	$ 0.24	$ 0.39	$ 4.43	$ 9.86
For the period	$ 2.09	$ 1.71	$ 0.24	$ 0.39	$ 4.43	$ 11.29
Earnings contributions:						
Integrated nickel operations	$ 3,307	$ 3,695	$ 245	$ 1,148	$ 8,395	$ 19,425
Falconbridge Copper Limited	2,731	886	144	(398)	3,363	12,074
Falconbridge Dominicana, C. por A. (note 3)	2,466	645	(203)	401	3,309	9,933
Other consolidated subsidiaries	1,624	2,897	1,352	923	6,796	8,980
Corporate	216	371	(338)	(136)	113	(1,552)
Before extraordinary item	10,344	8,494	1,200	1,938	21,976	48,860
Deferred tax adjustment resulting from write-down of assets in 1972						7,100
	$ 10,344	$ 8,494	$ 1,200	$ 1,938	$ 21,976	$ 55,960

Notes:

1. The results of operations in the interim reports issued during 1974 have been amended to give effect to the proposed new Canadian federal and provincial tax legislation and to reflect reclassification and other year-end adjustments.
2. The trend in results of operations generally reflects the significant fluctuations in world copper prices and the continuing increase in the cost of labour, fuel and materials caused by world-wide inflation. The increased nickel prices announced in May, 1974 were totally effective for third quarter deliveries of the integrated nickel operations; the resulting increased revenues, however, were more than offset by a decrease in copper revenue from that of the previous two quarters. Falconbridge Copper's continuing mining problems and shortage of miners when combined with declining copper prices and escalating costs are responsible for the deterioration in earnings contribution. The contribution of Falconbridge Dominicana to consolidated earnings reflects sharply increased fuel costs which were only partially offset (because of forward sales commitments) late in the last quarter by the benefit from the increases announced during 1974 in the producer price of ferronickel.
3. See note 3, page 22, of the notes to statement of supplementary information.

FALCONBRIDGE NICKEL MINES LIMITED
AND ITS SUBSIDIARIES

SEVEN-YEAR REVIEW

		1974	1973	1972	1971	1970	1969	1968
EARNINGS (000's)	Revenues	$ 457,827	438,163	274,578	210,864	219,681	190,805	148,525
	Earnings (before extraordinary item) (note 6)	$ 21,976	48,860	5,678	17,127	42,190	46,865	34,897
	Per share (note 4)	$ 4.43	9.86	1.14	3.45	8.52	9.52	7.12
	Extraordinary item (note 6)	$	7,100	(49,456)		(475)	669	
	Per share (note 4)	$	1.43	(9.98)		(0.10)	0.14	
EXPLORATION, RESEARCH AND DEVELOPMENT (000's)	Exploration	$ 13,751	10,757	8,431	11,698	10,208	7,059	5,877
	Research and development	$ 4,382	3,304	2,546	3,311	4,208	2,683	2,207
ORE RESERVES (000's tons)	Falconbridge Nickel Mines Limited	90,578	92,798	92,646	99,933	97,405	94,217	91,639
	Falconbridge Dominicana, C. por A.	66,000	68,500	70,800	72,300	62,800	62,800	62,800
	Falconbridge Copper Limited (note 2)	11,004	11,287	11,724	11,543	9,777	7,921	7,986
METAL DELIVERIES (000's pounds)	Integrated nickel operations —							
	Nickel	89,464	99,408	89,665	85,864	84,141	80,647	70,712
	Copper	53,981	53,725	56,464	60,985	56,922	49,456	39,787
	Falconbridge Nickel Mines Limited— Nickel in ferronickel (note 1)	73,828	67,644					
	Falconbridge Copper Limited (note 2) —							
	Copper	56,911	80,935	80,870	62,012	50,320	52,752	56,817
	Zinc	30,838	37,950	38,218	14,569	10,648	12,249	24,612
CAPITAL EXPENDITURES (000's)	Expenditures (net) on property, plant, equipment, development and pre-production —							
	Integrated nickel operations	$ 30,442	21,156	36,717	59,474	51,567	37,245	40,294
	Falconbridge Dominicana, C. por A.	RD$ 5,571	2,123	10,301	69,217	70,487	19,142	2,799
	Falconbridge Copper Limited (note 2)	$ 14,968	9,076	3,910	5,968	4,946	1,778	1,692
	Consolidated total	$ 63,409	42,532	63,576	146,214			
FINANCIAL POSITION (000's)	Working capital —							
	Integrated nickel operations	$ 129,163	116,582	71,137	67,611			
	Falconbridge Dominicana, C. por A. (note 5)	$ 28,941	36,214	25,680	26,601			
	Falconbridge Copper Limited	$ 16,748	25,218	12,897	14,675			
	Consolidated total	$ 190,609	189,571	114,189	118,745			
	Property, plant and equipment (net)—							
	Producing	$ 304,366	325,155	353,314	182,659			
	Non-producing	$ 141,940	107,674	88,258	314,354			
	Long-term debt	$ 274,855	289,101	301,921	293,336			
SHAREHOLDERS' DATA	Shareholders' equity (000's)	$ 303,923	291,856	241,555	289,629			
	Amount per share	$ 60.77	58.36	48.31	57.93			
	Dividends paid per share	$ 2.00	1.00	1.00	2.75	3.50	3.50	3.50
	Number of shares outstanding at end of year (note 3) (000's)	5,001	5,001	5,000	5,000	4,955	4,946	4,905
	Number of shareholders	11,205	11,104	12,254	12,178	12,273	12,687	13,799

Notes:
1. Ferronickel delivered to customers, see note 3, page 22, of the notes to statement of supplementary information.
2. This company was formed through an amalgamation of a number of companies in 1971. For comparative purposes the figures have been presented as if the amalgamation had been in effect throughout 1968 to 1971.
3. Includes shares held by consolidated subsidiaries.
4. See note 6, page 18, of the notes to consolidated financial statements.
5. See note 5, page 17, of the notes to consolidated financial statements re partial restriction of funds.
6. See note 1, page 16, of the notes to consolidated financial statements.

FALCONBRIDGE NICKEL MINES LIMITED

THE INTEGRATED NICKEL OPERATIONS

Earnings

The earnings of the integrated nickel operations before taxes decreased to $33,724,000 from $34,882,000 in 1973. After income and mining taxes of $25,329,000 ($15,457,000 in 1973) earnings amounted to $8,395,000 compared with $19,425,000. This decrease can be attributed to increased production costs, higher taxes and lower deliveries, being only partially offset by increased prices received for metals.

As discussed on page 1, continuing representations are being made to the Ontario Government concerning the serious and completely unexpected disallowance of the cost of processing outside of Canada in determining profit subject to mining tax, which was legislated on February 21, 1975 retroactive to April 9, 1974.

The ratio of income and mining taxes as a percentage of earnings increased from 44 per cent in 1973 to 75 per cent in 1974.

Marketing Review

Metal Deliveries

The following table sets forth the deliveries of refined nickel, copper and cobalt in the years 1974 and 1973:

	Pounds*	
	1974	1973
Nickel products in all forms (excluding ferronickel)	89,464,000	99,408,000
Copper	53,981,000	53,725,000
Cobalt	2,468,000	1,614,000

* Excluding nickel and copper refined and delivered on a commission basis.

Nickel deliveries in 1974 were considerably below the record level of 1973, which record was largely due to a significant drawdown of inventories during that year. Inventories of finished nickel at the end of 1974 were slightly below normal working levels.

Deliveries of refined cobalt metal reflected the impact of full production following the rebuilding of the cobalt refinery in 1973. Increased metal production from the stockpile of feed material resulted in above normal deliveries.

Metal Prices

The producers' base price for nickel was increased by six per cent in January 1974 and by 14 per cent at mid-year to compensate for significantly higher costs of material and labour. Late in the year, the industry initiated further price increases for all nickel product forms and the current price for electrolytic nickel is now U.S. $2.01 per pound.

The U.S. equivalent of the London Metal Exchange "spot" or cash price for copper wirebars averaged U.S. 93 cents per pound in 1974 as compared with U.S. 81 cents per pound in 1973. Speculative pressures held copper prices well over the U.S. $1.00 per pound level during most of the first half of 1974. Prices declined sharply during the second half of the year, reaching a low of U.S. 56 cents per pound at year-end. This was in response to a broad decline in the Western economies, higher production levels, and a resulting rapid build-up of refined metal stocks. Preliminary 1974 statistics indicate that refined copper consumption in the non-Communist world was five per cent lower than in 1973 while production increased by two per cent. Producer, consumer and commodity exchange copper stocks increased significantly by the end of 1974.

During 1974, the producers' price of cobalt increased by mid-year from U.S. $3.10 to U.S. $3.75 per pound due mainly to strong market demand and the continuing weakness of the U.S. dollar in relation to European currencies.

The producers' price of platinum was increased in January, 1974, from U.S. $158 per troy ounce to U.S. $170 and in June to U.S. $190 per troy ounce, reflecting both higher production costs and strong markets during the first half of 1974.

Gold and silver prices rose sharply in 1974 although speculative pressures resulted in erratic price behaviour.

Operations Review

General

During the past year 4,337,000 tons were delivered to treatment plants from Company mines in the Sudbury area, compared with 4,293,000 tons delivered in 1973. Ore produced from the Manibridge Mine in Manitoba increased to 184,000 tons from 136,000 tons produced in the previous year.

At Sudbury Operations, Lockerby Mine development and installations continued throughout the year. By year-end, sinking of No. 2 shaft, which will provide hoisting services for men and materials and also serve as a fresh air intake for the mine, was completed to the 4200-foot level and development ore was being produced. The 1975 mine schedule calls for stope development with production reaching about one-third of the maximum output rate during the last quarter of the year. Ore will be trucked to Strathcona mill for treatment.

Sinking of a 2000-foot internal shaft at the Onaping Mine, to develop the mine below the 4000-foot level, is under way. By year-end the shaft had reached the 4989-foot horizon. Hardy Mine ceased underground mining operations in May and crown pillar recovery, which began in 1973, continues as an open-pit operation.

Sinking of the Fraser No. 1 shaft continued all year and the sinking operation to the 5300-foot horizon was about 70 per cent complete at year-end.

Treatment Plants

All plants operated at capacity throughout the year. The Strathcona mill enlargement, to accommodate the ore from Lockerby Mine, neared completion at year-end. Smelting operations were affected by numerous shutdowns of short duration to reduce temporary sulphur dioxide emission peaks and by a severe and world-wide shortage of metallurgical coke which caused a price escalation of roughly 100 per cent for this material. A significant improvement was made in working conditions through a continuing program of smelter ventilation and dust control.

Work commenced on the Smelter Environmental Improvement Program at Sudbury Operations, announced in 1973. The cost of this project, including an associated acid plant, is expected to be about $95,000,000 based on detailed engineering and definitive estimates (including provision for further price inflation during the construction and start-up periods). Progress on the program was on schedule with $4,113,000 having been expended to December 31, 1974. The site is being prepared for construction to begin in the spring of 1975.

Early in the year the Company's outstanding financial claims in connection with the Nickel-Iron Pellet Refinery were settled. Negotiations then commenced with Allis-Chalmers Corporation for leasing of the reduction section of the plant to that company for a commercial-scale test of its process for reducing iron ore.

FALCONBRIDGE NICKEL MINES LIMITED

THE INTEGRATED NICKEL OPERATIONS (continued)

Falconbridge Nikkelverk Aktieselskap

A plant improvement program was begun to modify and improve the refining process at Kristiansand, Norway, where the Company's nickel-copper matte is processed to final product. The chief objectives of the program are to improve the working conditions in the plant, to reduce production costs and to increase the recovery of sulphur dioxide. The program is expected to be completed by the end of 1977.

Employees

Excellent Company-employee relations continued throughout the year.

To help offset the effects of severe inflation, employees were granted special cost-of-living wage increases in April and again in November.

Expenditures (Net) on Mines and Plants

In 1974 the capital expenditures on mines and treatment plants increased considerably over those of the previous year. As in 1973, a large portion of the expenditures was in connection with preparation of the Lockerby Mine for production, and the sinking of the Fraser shaft. Substantial expenditures were also made at the refinery in Norway, the existing smelter, for the new smelter environmental improvement program and at producing mines in the Sudbury area. The total expenditures for the past two years are set out in the table below:

	1974	1973
Property, plant and equipment	$14,011,000	$ 6,609,000
Development and preproduction	16,431,000	14,547,000
	$30,442,000	$21,156,000

Ore Reserves

The Company's ore reserves at the end of 1974 showed a minor decrease of 2,220,000 tons after mining 4,521,000 tons during the year. The total tonnage of contained nickel metal compared to year-end 1973 was marginally lower, while the total tonnage of contained copper metal decreased proportionately with the ore reserve.

At Sudbury Operations, exploration diamond drilling outlined and replaced 65 per cent of the tonnage mined with better than average nickel grade material. Ore reserve reduction was partly caused by the removal of some low grade ore blocks now considered uneconomic.

Total proven and probable reserves of the Company's Sudbury and Manibridge Operations were as follows:

		Tons of Contained Metal		Average Grade (%)	
Year	Tons of Ore	Nickel	Copper	Nickel	Copper
1974	90,578,000	1,266,000	615,000	1.40	0.68
1973	92,798,000	1,271,000	632,000	1.37	0.68



Oil drilling rig "Western Pacesetter III" in the Gulf of Mexico. The water depth at this location, offshore Texas, is 232 feet. Work was carried out in 1974 on behalf of group that includes the United States subsidiary of Alminex Limited.

FALCONBRIDGE NICKEL MINES LIMITED

MAJOR SUBSIDIARY AND ASSOCIATED COMPANIES

Alminex Limited

Actions of the federal and provincial governments during 1974 have created great uncertainties in the Canadian oil and gas industry. Provincial royalties have been increased and the federal government proposes disallowing deduction of royalties and other payments to provincial governments and their agencies in determining income subject to taxation. These measures have resulted in a substantial decline in the industry's exploration programs, and delays in development of the Alberta oil sands.

Earnings by Alminex for the year were $4,852,000 (1973 — $3,117,000) after taking into consideration the impact of increased federal and provincial levies in 1974. Gross income from sale of products after provincial and freehold royalties was $14,319,000 (1973 — $11,329,000). Royalties of $6,979,000 (1973 — $2,204,000) as a percentage of total product sales have more than doubled, to 33 per cent from 16 per cent in 1973. The impetus of the new provincial legislation is directed toward royalties rather than a tax on income. The increased revenues from higher prices (which are largely controlled by the government) were for the most part offset by increased provincial royalties and lower production. Exploration expenditures, provisions for depletion and property surrenders have all increased over 1973. New income tax legislation increased the tax provision by $237,000 in 1974, the increased federal income taxes being only partially offset by lower provincial taxes. Also, during the year, the Company adopted the tax allocation method of accounting for timing differences between financial income and taxable income. This resulted in a charge to income of $348,000 for the year, and a charge of $2,569,000 to retained earnings for prior periods. Dividends paid during the year remained unchanged at 24¢ per share, for a total of $1,839,000 in 1974.

During 1974 Alminex's gross sales volume of crude oil and natural gas liquids averaged 8,600 barrels per day, a decrease of five per cent from 1973. The average gross sales volume of natural gas was 27.1 million cubic feet per day, a decrease of two per cent from 1973. Sulphur markets improved during the year and increased 23 per cent to 5,580 long tons per annum.

Proven and probable reserves of all commodities, previously reported excluding all royalties, have been restated to include all royalties. Reserves of crude oil and natural gas liquids declined 10 per cent to 45,227,000 barrels, reflecting the year's production and minor adjustments and additions. Reserves of natural gas decreased two per cent to 184.3 billion cubic feet after subtracting the year's production and adding new reserves.

A major area of exploration activity during the year centered in the Gulf of Mexico where the Company now holds varying interests in nineteen lease blocks. Production platforms have been constructed on two of the blocks. Discovery wells in which the Company has an interest were drilled in Turkey, offshore Texas, offshore Louisiana and Colorado in the United States, and Alberta and British Columbia in Canada.

Capitalization	As at December 31, 1974 Outstanding	Held by Falconbridge	
Common shares	7,662,661	3,913,871	51.1%

Production	Year ended December 31 1974	1973*	Increase
Crude oil and natural gas liquids — barrels per day	8,600	9,091	(5.4%)
Gas — thousands of cubic feet per day	27,129	27,686	(2.0%)
Sulphur — long tons	5,580	4,548	22.7%

* Restated (see commentary)

Reserves (proven and probable)	As at December 31 1974	1973*
Crude oil and natural gas liquids — barrels	45,277,000	50,536,000
Natural gas — billions of cubic feet	184.3	187.8
Sulphur — long tons	316,000	346,000

*Restated (see commentary)

Financial	Year ended December 31 1974	1973*
Gross income from sale of products less royalties	$14,319,000	$11,329,000
Earnings before write-offs for depreciation, depletion and property surrendered	7,431,000	5,521,000
Income tax	3,455,000	2,225,000
Earnings after all charges	4,852,000	3,117,000
Dividends paid	1,839,000	1,837,000

*Restated (see commentary)

Falconbridge interest* in		Per share of Falconbridge
Earnings after all charges	$ 2,479,000	$.50
Dividends paid	940,000	.19
Excess of earnings over dividends	$ 1,539,000	$.31

* Before consolidation adjustments.

Management 1974

President	J. E. Reid
Vice-President and General Manager	J. N. Stephen

FALCONBRIDGE NICKEL MINES LIMITED

MARKETING ACTIVITIES

FALCONBRIDGE INTERNATIONAL LIMITED

The Nickel Industry

Demand

In 1974, the nickel industry experienced firm demand world-wide. Shipments to non-Communist countries exceeded 1.2 billion pounds for the first time in history. The year 1974 turned out to be a record year even though shipments were limited by supply.

In early 1975, some weakening in demand became evident in certain end-uses. However, cyclic behavior is a well known facet of business in the metals industries. In the nickel industry, markets respond moderately to the general level of industrial activity and over the years temporary periods of over- and under-supply have been experienced. Producers and consumers alike must not allow short-term fluctuations in demand to distort the long-term outlook. For example, producer inventories, accumulated during the 1970-71 downturn in demand, quickly disappeared in 1972-73 and a period of tight supply followed early in 1974. It is most important to note that deviations above and below the long-term shipment growth trend have been relatively insignificant. Falconbridge expects the long-term growth trend of 6.5 per cent per annum to continue and the Company's planning is based on this forecast.

Technology

The stainless and alloy steelmaking industry consumes more than half the nickel produced. Consequently, changes in steelmaking technology can bring about significant changes in the product mix required in the market place.

Since the mid-1960's, total world output of ferronickel and sinter oxide has grown more than three-fold as new steelmaking technology, particularly the introduction of the Argon-Oxygen process, accelerated the trend towards increased usage. This significant trend can be attributed to three factors — availability, changes in steelmaking technology, and price.

Falconbridge ferronickel is an extremely flexible charge material and has found wide usage in Argon-Oxygen stainless steelmaking.

Prices

In late 1974, ferronickel prices were increased more than prices for pure nickel and sinter oxide: depending on the various product grades, ferronickel prices currently are at, or near, the base price for electrolytic nickel. Ferronickel projects are energy-intensive and have been vulnerable to the recent world-wide escalation in fuel prices.
In addition to nickel, ferronickel products furnish high quality iron units of known and consistent grade; ferronickel's contribution to a steel furnace melt is greater than that of a "nickel only" product.

Marketing

For more than 40 years, European sales of nickel, copper and cobalt were handled by representatives. However, in the early seventies, as the marketing environment changed and competition grew stronger, it became necessary for major metals producers to provide their own internal professional skills in order to develop markets. Consumers demanded direct contact with the producer. Consequently, in 1971, Falconbridge International Limited started to build its own European marketing organization, Falconbridge Europe S.A., in Brussels. The transition has resulted in significantly more effective customer contact at considerably less cost.

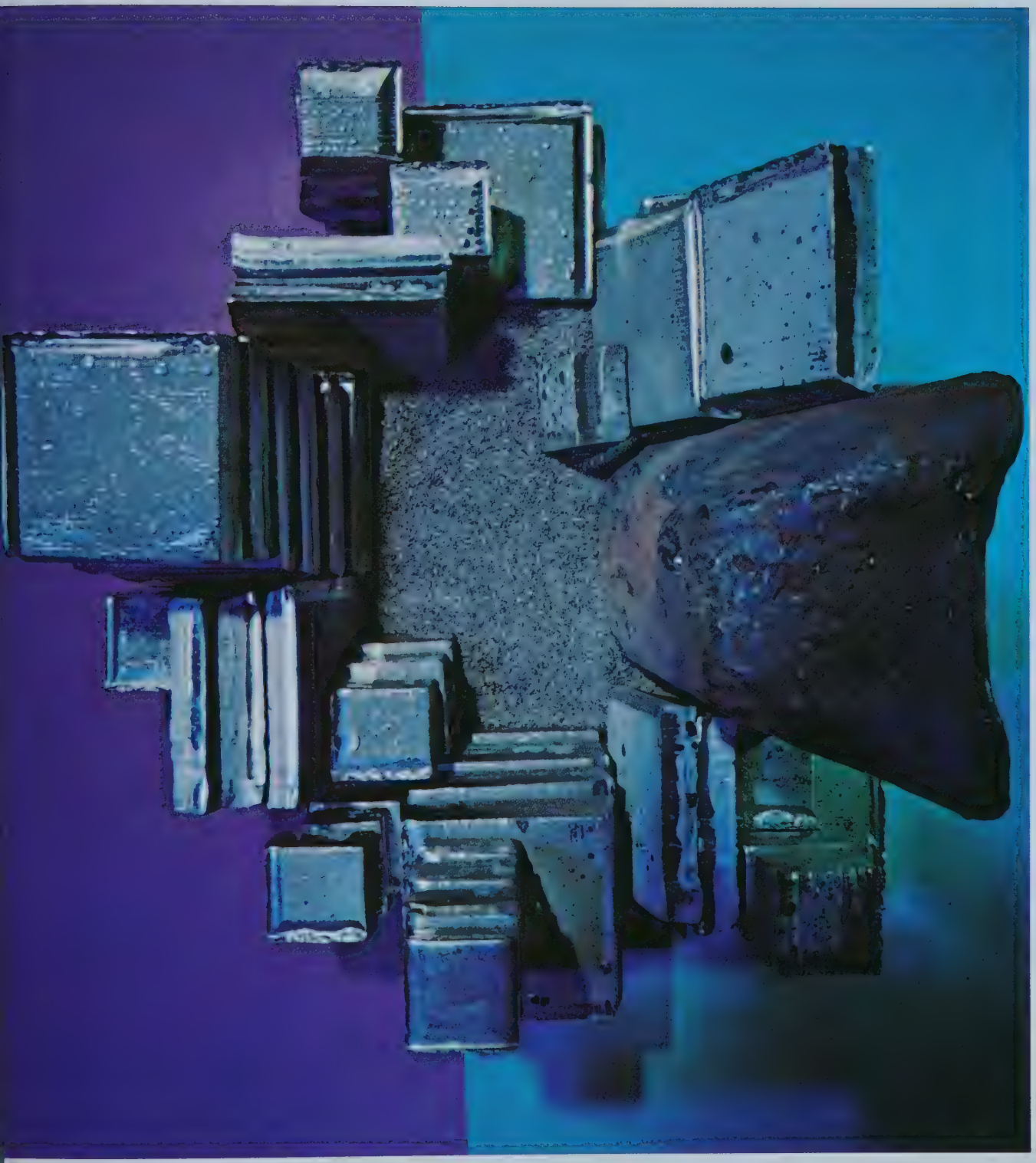
In addition to nickel, copper, other metals and by-products, Falconbridge International also markets a broad range of commodities including ferrous and non-ferrous metal concentrates, semi-refined base metals and refined precious metals produced by the Falconbridge Group associated and subsidiary metal mining companies. The commodity marketing function in Toronto handles approximately $200,000,000 worth of materials produced each year by these companies. Originally, "commodity marketing" provided commercial advice and market research only. Today, this department negotiates contracts and arranges the sale of output from nine producing companies in the Falconbridge Group. The commodities sold include copper, zinc, lead and iron ore concentrates, blister copper, refined gold, platinum, palladium and other platinum group metals. Sales are made in all major world markets including Europe, Japan and the U.S.A.

During the year, strong sales support was provided to the Falconbridge Group through other marketing services including customer service, product and market research, technical service, transportation and distribution management and marketing communications.

Management 1974

President and Managing Director	W. G. Dahl
Vice-President Sales	D. M. Henderson
Vice-President Administration	E. H. Holm

Electrolytic nickel squares, a ferronickel pig and NICKEL 98 granules especially photographed for use in international advertising



FALCONBRIDGE NICKEL MINES LIMITED

MAJOR SUBSIDIARY AND ASSOCIATED COMPANIES

Blanket Mine (Private) Limited

Although tons milled during the year increased to 161,000 compared to 159,000 in 1973, gold production decreased by 5,359 ounces to 22,201 ounces. This decrease in ounces was more than offset by the higher price received for gold during the year with the result that earnings for the year increased to Rhodesian $824,000 from Rhodesian $606,000 in 1973.

Exploration diamond drilling of pillars and blocks in the vicinity of the old workings in the upper part of the mine was successful in adding 130,000 tons to ore reserves. Exploration at depth returned some interesting gold values and this will be followed up in 1975. The dewatering of the old workings on the Feudal mine was completed and shaft sinking was started at the bottom of the old shaft.

Capitalization	As at December 31, 1974 Outstanding	Held by Falconbridge*	
Common shares	9,208	9,208	100%

* Through wholly owned subsidiary Ventures of Africa Limited

Production	Year ended December 31 1974	1973
Ore milled — tons	161,000	159,000
Ounces of gold produced	22,201	27,560

Financial (Rhodesian $1.00 equals Cdn. $1.72 at Dec. 31, 1974)	Year ended December 31 1974	1973
Net revenue from bullion produced	R $ 2,027,000	R $ 1,588,000
Earnings before depreciation	909,000	674,000
Earnings after all charges	824,000	606,000
Dividends paid	720,000	
Working capital	705,000	653,000

Falconbridge interest* in		Per share of Falconbridge
Earnings after all charges	R $ 824,000	R $.17
Dividends paid	720,000	.15
Excess of earnings over dividends	R $ 104,000	R $.02

* Only dividends received by Falconbridge are reflected in consolidated earnings.

Management 1974

Managing Director	H. H. Bird
Mine Manager	A. Ryan

Falconbridge Copper Limited

Earnings for the year amounted to $8,684,000 or 72 cents per share compared with $27,592,000 or $2.30 per share in 1973.

The Company paid dividends of $9,590,000 during the year, the same as in 1973. A total of $9,818,000 was expended on property, plant and equipment, as against $6,320,000 in 1973. Preproduction expenditures totalled $5,150,000 compared with $2,756,000 in 1973.

Surface and underground exploration and development continued during the year at a cost of $3,993,000 compared with $3,619,000 in 1973.

During the year 58,729,000 pounds of copper and 38,807,000 pounds of zinc were produced compared with 80,935,000 pounds of copper and 37,950,000 pounds of zinc produced in 1973. The 1974 production includes Falconbridge Copper's share of production from the Sturgeon Lake Joint Venture.



Transloader underground at Falconbridge Copper's Lake Dufault property.

Lake Dufault Division

Operating profit amounted to $7,681,000 compared with $17,820,000 in 1973.

The average price received for copper contained in concentrates produced during the year was 82 cents per pound compared with 78 cents per pound in 1973, while the price received for zinc was 39 cents per pound compared with 26 cents per pound in 1973.

Copper production was lower than in 1973 due to a lower grade of ore treated. The mill treated 553,200 tons of ore in 1974 compared with 555,300 tons in 1973. Mill head grade averaged 2.38 per cent copper and 3.54 per cent zinc compared with 3.65 per cent copper and 4.41 per cent zinc in 1973. A high proportion of the ore treated in 1974 came from low grade sections of the Millenbach Mine.

Production of copper totalled 24,453,000 pounds compared with 37,783,000 pounds in 1973. Production of zinc totalled 30,838,000 pounds compared with 37,950,000 pounds in 1973.

Ore reserves at the end of the year were calculated to be 2,456,000 tons, with an average grade of 3.2 per cent copper and 4.0 per cent zinc. This figure includes 315,000 tons of Norbec ore, stockpiled on surface, with an average grade of 1.18 per cent copper and 2.07 per cent zinc.

The Norbec mine was closed effective December 31 when economic production was no longer possible. The Norbec portion of the mill tonnage will be obtained during 1975 from the Norbec ore stockpile.

During the year surface drilling was successful in discovering a significant copper-zinc zone approximately 7,000 feet west of the Millenbach shaft. It is planned to explore the area in detail from underground. A new shaft will be required to do this.

FALCONBRIDGE NICKEL MINES LIMITED

MAJOR SUBSIDIARY AND ASSOCIATED COMPANIES

Opemiska Division

Operating profit amounted to $9,447,000 compared with $18,418,000 in 1973.

The average price received for copper contained in concentrate produced during the year was 83 cents per pound compared with 80 cents per pound in 1973.

Copper production was lower than in 1973 due to lower tonnage and a lower grade for the ore treated. The mill treated 927,000 tons of ore during the year compared with 1,063,000 tons in 1973. Mill head grade averaged 1.85 per cent copper compared with 2.14 per cent in 1973. During 1974 there was a shortage of skilled mine workers at Opemiska, and a high percentage of the ore milled was drawn from large, low-grade ore zones.

Production of copper totalled 32,458,000 pounds compared with 43,152,000 pounds in 1973.

Ore reserves at the end of the year were calculated to be 6,376,000 tons with an average grade of 2.35 per cent copper.

Construction of the plant at the Cooke mine was completed. At year-end the shaft had reached a depth of 1,029 feet with five level stations established.

A new three-year labour agreement was negotiated effective April 1, 1974. A shortage of experienced miners hampered both production and shaft sinking during the year.

Capitalization	As at December 31, 1974 Outstanding	Held by Falconbridge	
Common shares	*12,970,125	6,509,689	50.2%

* Includes 983,000 shares on which Falconbridge Nickel has disclaimed dividends until the Sturgeon Lake property is declared to be in commercial production.

Financial	Year ended December 31 1974	1973
Revenue from metal shipments	$64,993,000	$79,278,000
Earnings before amortization and depreciation	13,036,000	31,707,000
Earnings after all charges	8,684,000	27,592,000
Dividends paid	9,590,000	9,590,000
Working capital	16,748,000	25,218,000

Falconbridge interest* in		Per share of Falconbridge
Earnings after all charges	$ 4,003,000	$.81
Dividends paid	4,421,000	.89
Excess dividends over earnings	$ 418,000	$.08

* Before consolidation adjustments and excluding 983,000 shares referred to above.

Management 1974

Chairman of the Board, M. A. Cooper
President, J. R. Smith
Manager — Opemiska Division, J. P. Bonneville
Manager — Lake Dufault Division, W. R. Wright
Manager — Sturgeon Lake Joint Venture, H. R. Graham

Sturgeon Lake Joint Venture

Plant construction was accomplished ahead of schedule and the breaking-in of the concentrator was started in September. The open-pit operation was also ahead of schedule and ore was available for September. Metallurgical problems were encountered in the plant, mainly in copper-lead separation. Mill tonnage is being maintained at two-thirds capacity until the problems are resolved.

The mill treated a total of 82,592 tons of ore in the four months. Mill head grade averaged 2.05 per cent copper, 7.59 per cent zinc and 1.09 per cent lead. Production of copper totalled 1,947,000 pounds; zinc totalled 8,532,000 pounds.

Ore reserves at the end of the year were calculated to be 2,172,000 tons with an average grade of 2.80 per cent copper, 10.19 per cent zinc, 1.42 per cent lead, 5.82 ounces silver per ton and .021 ounces gold per ton.

Falconbridge Copper's share of net expenditures for the year for plant and preproduction was $12,233,000.

Sturgeon Lake Mines Limited

	As at December 31, 1974		
Capitalization	Outstanding	Held by Falconbridge Copper	
Common shares	1,000,000	670,000	67%

Financial

The financial statement is consolidated with that of Falconbridge Copper Limited

Management 1974

President — J. R. Smith Manager — H. R. Graham



Section of the concentrator at Sturgeon Lake mine in northwestern Ontario.

FALCONBRIDGE NICKEL MINES LIMITED

MAJOR SUBSIDIARY AND ASSOCIATED COMPANIES



Fahralloy employee examines detail of a "SIMPLOK" slusher-scraper manufactured for use in underground mining. The boltless unit was designed and patented by Fahralloy Canada Limited and is produced in the company's plant at Orillia, Ontario.



Centrifugally cast high-alloy steel tubing is produced in the Fahralloy-Wisconsin Limited plant at Orillia for use in the basic steel industry. Photograph shows a rough tube being machined in a vertical boring mill.

Fahralloy Canada Limited

Tonnage shipments of shell and sand moulded castings by Fahralloy increased eight per cent, and the total value of shipments increased 36 per cent, in comparison with 1973. The attainment of higher sales prices in 1974, coupled with better control of labour costs, resulted in a more satisfactory performance.

The total value of centrifugally cast products shipped by Fahralloy-Wisconsin Limited, in which Fahralloy has a 50 per cent interest, increased 37 per cent over 1973, accompanied by improved profitability.

Both Fahralloy companies have very heavy order backlogs, presenting challenges to increase production and shipments in 1975.

Capitalization	As at December 31, 1974 Outstanding	Held by Falconbridge	
Common shares	701	701	100%

Financial	Year ended December 31 1974	1973
Depreciation	$ 329,000	$ 319,000
Equity in earnings of Fahralloy-Wisconsin Limited	57,000	26,000
Income taxes	210,000	(76,000)
Earnings (loss) from operations	346,000	(9,000)

Management 1974

Chairman of the Board	J. J. Mather
President and Managing Director	J. A. Wilson

Falconbridge Dominicana, C. por A.



Open-pit mining activity in the hills near Bonao, Dominican Republic. In the valley is Falconbridge Dominicana's metallurgical complex.



Casting ferronickel "pigs" in Falconbridge Dominicana's metallurgical plant.

FALCONBRIDGE NICKEL MINES LIMITED

MAJOR SUBSIDIARY AND ASSOCIATED COMPANIES

Falconbridge Dominicana, C. por A.

Net earnings for the year were RD $2,112,000 of which RD $106,000 were transferred to the legal reserve. (RD $1.00 equals U.S. $1.00 at the official rate of exchange.) This compares with net earnings of RD $14,157,000 in 1973. The decreased earnings reflect the unprecedented inflationary pressure to which all costs have been subjected and in particular the escalation in fuel oil costs which virtually quadrupled during the year. Ferronickel shipments having a total nickel content of 68,709,000 pounds were made in 1974 as compared with 66,300,000 pounds in 1973.

Three increases were announced during the year in the producer price of ferronickel to U.S. consumers. In each case corresponding price adjustments were made in all other markets throughout the world. However, as a result of the Company's obligation to fulfil contractual commitments made in the highly competitive markets of prior years, only very limited benefit accrued to the Company from the increased producer price which, with effect from December 1, 1974, has been U.S. $2.01 per pound of nickel contained.

Expenditures during the year on property, plant and equipment amounted to RD $5,552,000. The long-term debt at the end of the year was RD $156,342,000, exclusive of RD $12,484,000 which matures in 1975. Mortgage borrowings for urban development, included in the long-term debt, amounted to RD $2,337,000. The first scheduled repayment of the Series B demand mortgage notes and the continuing repayments of the World Bank Loan were made during the year. Long-term debt repayment during the year amounted to RD $12,482,000.

Approximately 2,300,000 dry short tons of ore were delivered to the plant during the year. The plant continued to operate in excess of its design capacity. Various additions and modifications to the ore preparation circuit were made and operating techniques continued to be refined. Continued effort is being applied to mitigate the effects of current economic conditions.

The ore reserves at the year-end were 66,000,000 dry short tons grading 1.58 per cent nickel.

Exploration within the Concession area was continued. An evaluation of the results of geophysical, geochemical and geological work outlined areas which contained no significant mineralization. The Company renounced its rights and title to a portion of these areas prior to the year-end.

At the end of 1974 the total work force numbered 2,068 of whom 1,963 were Dominican and 105 were expatriate personnel. Harmonious labour relations prevailed between the Company and its employees throughout the year.

All personnel engaged in the enterprise continue to render loyal and efficient service. The co-operation of officials of the Government of the Dominican Republic is gratefully acknowledged.

Capitalization	As at December 31, 1974 Outstanding	Held by Falconbridge	
Common shares	1,500,000	985,672	65.7%

Production	Year ended December 31 1974	1973
Ore mined and delivered to plant — dry short tons	2,300,000	2,300,000
Deliveries of ferronickel — nickel content in pounds	68,709,000	66,300,000

Financial (RD $1.00 equals U.S. $1.00)	Year ended December 31 1974	1973
Revenue from metal shipments	RD $101,517,000	RD $ 91,283,000
Earnings before interest on debt, depreciation and amortization	26,636,000	45,958,000
Earnings after all charges	2,112,000	14,157,000
Working capital	29,216,000	36,359,000
Long-term debt (excluding RD $12,484,000 in current liabilities)	156,342,000	168,829,000

Falconbridge interest* in		Per share of Falconbridge
Earnings after all charges	Cdn. $ 1,036,000	Cdn. $.21

* Before consolidation adjustments.

Management 1974

President	M. A. Cooper
Executive Vice-President	E. L. Healy
Vice-President and General Manager	I. H. Keith

Giant Yellowknife Mines Limited

Earnings for the year decreased to $2,779,000 in 1974 from $4,271,000 in 1973. This decrease resulted from lower gold production and greatly increased operating costs, which were only partially offset by the higher prices received for gold during the year.

Production in 1974 from Giant Yellowknife Mines Limited and its subsidiaries, Lolor Mines Limited and Supercrest Mines Limited, totalled 328,000 tons. With the increasing price of gold, the cut-off grade was progressively lowered. In April, studies indicated that the remnant pillars in the upper "A" shaft area could be profitably mined by open-pit methods with the result that 480,000 tons of ore, grading 0.3 ounce of gold per ton were added to reserves. By year-end, stripping in the pit area was well advanced and some ore was produced. Combined production of gold was 102,000 ounces, a considerable drop from the preceding year.

Total developed reserves as of December 31, 1974, were 2,400,000 tons at 0.33 ounce of gold per ton compared to 1,173,000 tons averaging 0.38 ounce of gold per ton at the end of 1973.

A new collective bargaining agreement was signed in October after difficult negotiations. Operations were restricted all year by a shortage of skilled miners.

There were no important finds in the exploration program.



Indusmin Limited is an international supplier of industrial minerals to a wide range of industries. Shown here is product loading at the Halton, Ontario plant of the Aggregates Division.

(Giant Yellowknife Mines Limited — continued)

Capitalization	As at December 31, 1974 Outstanding	Held by Falconbridge	
Common shares	4,303,050	824,413	19.2%

Production (Consolidated)	Year Ended December 31 1974	1973
Tons milled	328,000	389,000
Gold produced — ounces	102,000	158,000

Financial (Consolidated)		
Revenue from metals produced	$16,518,000	$17,187,000
Earnings before amortization and depreciation	2,914,000	4,764,000
Earnings after all charges	2,779,000	4,271,000
Dividends paid — 50¢ per share, 1974	2,151,000	
— 60¢ per share, 1973		2,582,000
Working capital	10,308,000	9,972,000

Falconbridge interest* in		Per share of Falconbridge
Earnings after all charges	$ 534,000	$.11
Dividends paid	413,000	.08
Excess of earnings over dividends	$ 121,000	$.03

* Only dividends received by Falconbridge are reflected in consolidated earnings.

Management 1974

President and Managing Director	D. R. De Laporte
Mine Manager	D. J. Emery

Indusmin Limited

Profit before tax and extraordinary credits declined 9 per cent in comparison with 1973, in spite of an 11 per cent rise in sales to $17,863,000. The decline in profitability was due to the sharp rise in operating costs and the recession-induced decline in sales in November and December. Net earnings and cash recovery per share were $1.20 and $3.80 respectively.

Indusmin is a major supplier of three industrial minerals, nepheline syenite, silica and limestone, to the glass, concrete products, ceramic, paint, abrasives, plastics, chemical and other industries. The Company has producing quarries and plants at six locations in Quebec and Ontario.

Capitalization	As at December 31, 1974 Outstanding	Held by Falconbridge	
Common shares	1,167,901	806,030	69%

Financial	Year ended December 31 1974	1973
Sales of all products	$17,863,000	$16,145,000
Earnings before amortization and depreciation	3,574,000	3,896,000
Earnings after all charges	1,396,000	1,836,000
Dividends paid — 75¢ per share	875,000	875,000
Working capital	2,269,000	1,637,000

Falconbridge interest* in		Per share of Falconbridge
Earnings after all charges	$ 963,000	$.19
Dividends paid	604,000	.12
Excess of earnings over dividends	$ 359,000	$.07

* Before consolidation adjustments.

Management 1974

President and Managing Director	J. J. Mather

FALCONBRIDGE NICKEL MINES LIMITED

MAJOR SUBSIDIARY AND ASSOCIATED COMPANIES

Kilembe Copper Cobalt Ltd.

A preliminary report issued to the shareholders of Kilembe Copper Cobalt Ltd. reveals that its subsidiary, Kilembe Mines Limited, incurred a loss for 1974. The loss results from a combination of factors including increasing shortages in local supplies, difficulties encountered in the movement of imported goods from the port to the mine, and the unavailability of sufficient, trained personnel. In addition, in the latter part of the year, decreasing prices were received for copper shipments. As a result the ability of Kilembe Mines to continue operations on an economic basis has been drastically impaired. The situation has been brought to the attention of the Uganda Government and efforts are being made to resolve the difficulties.

The audited financial figures are not available.

Capitalization	As at December 31, 1974 Outstanding	Held by Falconbridge	
Common shares	3,877,027	2,820,827	72.8%

Production	Year ended December 31 1974	1973
Tons milled	708,000	821,000
Blister copper produced, metric tons	8,900	10,000

Management 1974

Kilembe Copper Cobalt Ltd.
President, G. T. N. Woodrooffe

Kilembe Mines Limited,
Managing Director, M. D. Cruickshanks

Oamites Mining Company (Proprietary) Limited

Earnings for the year were $1,912,000 compared to $3,209,000 in 1973. This 40 per cent decrease in earnings was caused almost entirely by increased costs due to inflation in wages and materials.

Tons milled (metric) increased by 11 per cent during the year to 617,000 tons, but the grade of ore produced was lower than last year due to decreasing vein widths towards the limits of the ore body, with proportionally increased dilution. Depth development was then emphasized to achieve grade improvement.

The balance of the debentures outstanding at the end of 1973, amounting to $2,920,000, was redeemed during the year resulting in a repayment to Falconbridge of $2,224,000.

Capitalization	As at December 31, 1974 Outstanding	Held by Falconbridge	
Common shares	253,680	190,000	74.9%

Long Term Debt

Redeemable unsecured debentures — 8%.
Balance of principal outstanding was redeemed during the year. Falconbridge was repaid $2,224,000.

Production	Year ended December 31 1974	1973
Tons ore milled (metric)	617,000	556,000
Mill head grade (% copper)	1.13	1.35
Mill recovery (%)	91.32	92.98
Concentrates produced (metric dry tons)	19,000	20,000
Recoverable copper — pounds	14,013,000	15,425,000
Financial		
Revenue from sales of concentrates	$13,660,000	$13,643,000
Earnings before amortization and depreciation	3,000,000	4,171,000
Earnings after all charges	1,912,000	3,209,000

Falconbridge interest* in		Per share of Falconbridge
Earnings after charges	$ 1,432,000	$.29

* Before consolidation adjustments.

Management 1974

Chairman — A. E. Pugsley
Mine Manager — K. E. Mantell

New Quebec Raglan Mines Limited

No work was carried out at the site in 1974. Studies continued on the feasibility of bringing the properties into production.

Expenditures in 1974 mainly involved maintenance of the properties and insurance charges. Working capital decreased during the year by $46,000.

Capitalization	As at December 31, 1974 Outstanding	Held by Falconbridge	
Common shares			
New Quebec Raglan Mines Limited	7,760,294	5,296,490	68.3%
Preferred shares			
Raglan Quebec Mines Limited			
6% preferred	7,500,000	7,500,000	100%
8% preferred	7,500,000	7,500,000	100%
6¾% preferred	2,261,029	2,261,029	100%

Management 1974 — President, J. R. Smith

United Keno Hill Mines Limited

The highest earnings in the Company's history, amounting to $5,785,000, were recorded in the year. This was an increase of $2,160,000 over 1973 (as restated), with silver production remaining about the same. The increase in the silver price was the sole reason for the large increase even though direct costs increased by 31 per cent over 1973 as a result of the inflationary trend in material, power, and labour costs.

Ore reserves improved over those of 1973. The improvement occurred within the limits of producing mines. Area exploration failed to disclose any major mineralized zones.

Fill-in drilling was completed on the DEF copper property, with some improvement over previous results. No further exploration work is planned. Discussions were initiated with American Smelting and Refining Company and Silver Standard Mines Limited, who own the adjacent Minto claim group, to determine the possibility of carrying out a joint feasibility study on the DEF-Minto claim group.

Capitalization	As at December 31, 1974 Outstanding	Held by Falconbridge	
Common shares	2,470,000	1,195,989	48.4%

Production	Year ended December 31 1974	1973
Tons ore milled	93,000	95,000
Ounces silver produced	3,238,000	3,135,000
Pounds lead produced	6,735,000	7,262,000
Pounds zinc produced	545,000	1,345,000
Financial		
Revenue from metal shipments	$17,481,000	$11,614,000
Expenditures on exploration and development	1,591,000	1,266,000
Earnings before depreciation and amortization	6,135,000	3,990,000*
Earnings after all charges	5,785,000	3,625,000*
Dividends paid — $1.00 per share, 1974	2,470,000	
— 40¢ per share, 1973		988,000
Working capital	13,352,000	10,208,000

* Restated

Falconbridge interest* in		Per share of Falconbridge
Earnings after all charges	$ 2,800,000	$.56
Dividends paid	1,196,000	.24
Excess of earnings over dividends	$ 1,604,000	$.32

* Before consolidation adjustments.

Management 1974

President D. R. De Laporte
Mine Manager D. P. Walli

FALCONBRIDGE NICKEL MINES LIMITED

MAJOR SUBSIDIARY AND ASSOCIATED COMPANIES



Drill hole blasting and loading at Wesfrob's open-pit operation, Tasu, B.C.



Electron microprobe in Falconbridge Metallurgical Laboratories is used to study precise distribution of elements in ores, metals and intermediate products.

Wesfrob Mines Limited

Earnings for 1974 decreased to $643,000 from $2,500,000 in 1973 (as restated). The decrease was due to lower copper production and much higher operating costs. These costs spiralled because of the continuing inflationary trend in labour and material costs.

Demand for pellet feed concentrate continued to improve in 1974. Sinter feed demand was weak, with customers declaring 10 per cent less than the contract tonnage. Ore production was above scheduled levels and waste production was below schedule due primarily to an increase in low grade pellet ore in No. 2 Zone pit. Pellet ore mining was essentially confined to No. 2 Zone pit which resulted in a very low copper feed grade to the plants and a high sulphur grade which reduced pellet circuit recovery.

No. 3 Zone underground stope development and No. 4 Zone exploration were completed in August. In October, it was decided to proceed with the Dela-Blujay underground development, and this project was started by year-end.

Capitalization	As at December 31, 1974 Outstanding	Held by Falconbridge	
Common shares	3,832,994	3,832,994	100%

Production	Year ended December 31 1974	1973
Iron concentrates — dry metric tons	912,000	910,000
Copper concentrates — dry metric tons	10,000	13,000
Copper in concentrates — pounds	4,672,000	5,571,000
Financial		
Revenue from metals produced	$12,450,000	$12,979,000
Operating profit before undermentioned items	3,819,000	6,338,000
Depreciation	1,199,000	1,442,000
Preproduction and development expenditures written off	912,000	1,142,000
Amortization of mining properties	34,000	34,000
Exploration on other properties	974,000	1,132,000
Income and mining taxes and royalties	59,000	91,000*
Earnings for the period	643,000	2,500,000*

* Restated

Management 1974

President	D. R. De Laporte
Mine Manager	Kenneth Blower

Western Platinum Limited

Earnings for the year ended September 30, 1974 amounted to R 6,948,000 compared to R 3,177,000 in 1973. The increase is due to the first full year of sales and higher metal prices. Sales revenues totalled R 20,628,000 compared to R 9,568,000 in 1973.

During the year, there were large increases in material and labour costs. Labour unrest and labour shortages adversely affected operations.

In the early part of the year, a shortfall in the refinery production made it necessary for Western Platinum to borrow metal to satisfy the terms of their long-term contract. In April, the Lonrho precious metal refinery came on stream.

From September onwards there was a gradual weakening in the platinum and palladium markets due to a decrease in demand for automotive catalyst material.

The long-term debt amounting to R 22,450,000 was reduced by R 4,000,000.

Working capital increased from R 7,846,000 at September 30, 1973 to R 9,247,000 at September 30, 1974.

(Rand = Cdn. $1.44 at December 31, 1974).

Capitalization	As at September 30, 1974 Outstanding	Held by Falconbridge	
Ordinary shares	10,000,000	2,500,001	25%

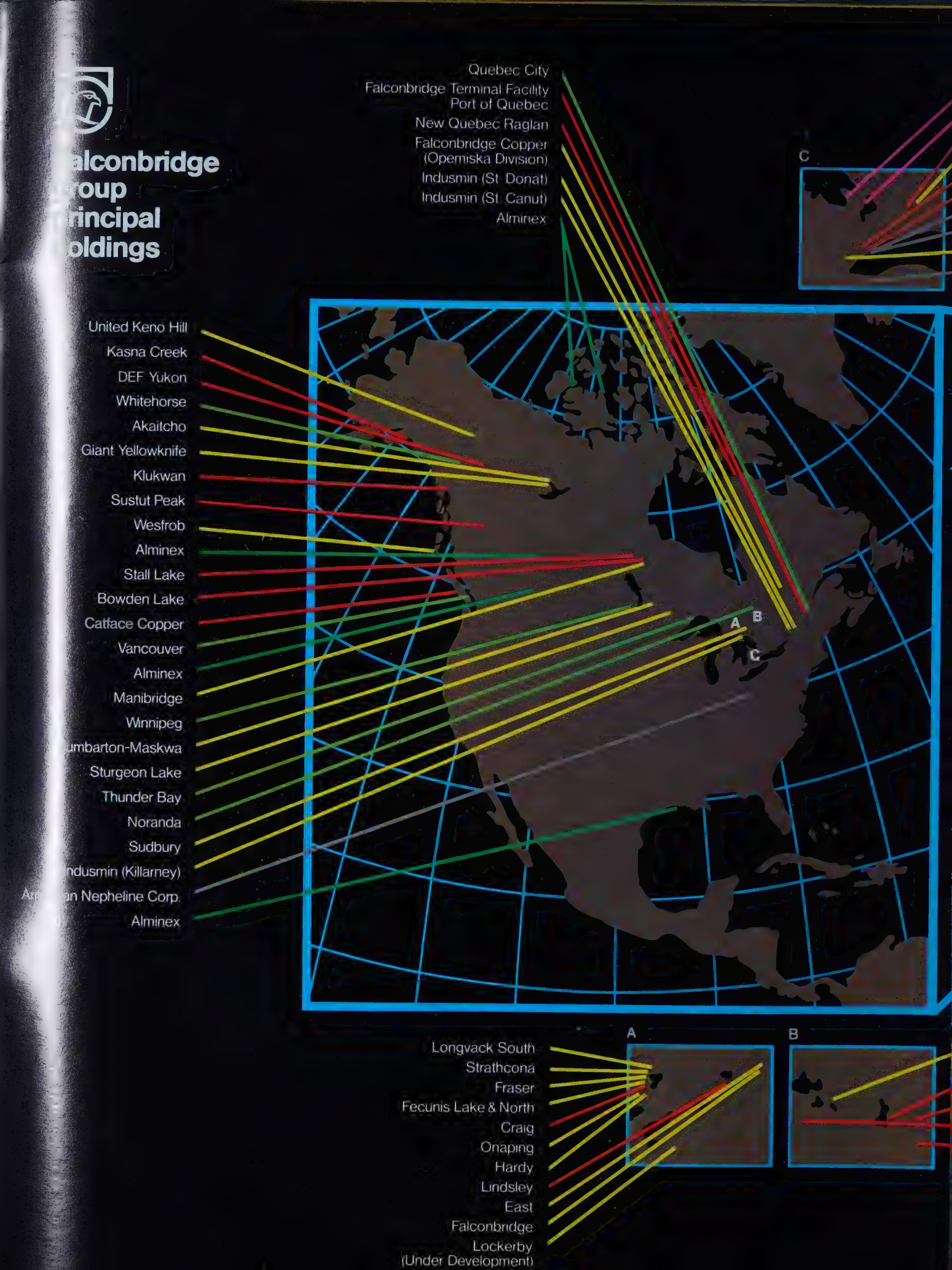
Production	Year ended September 30 1974	1973
Platinum group metals — ounces	139,000	109,000
Nickel — metric tons	1,920	1,550

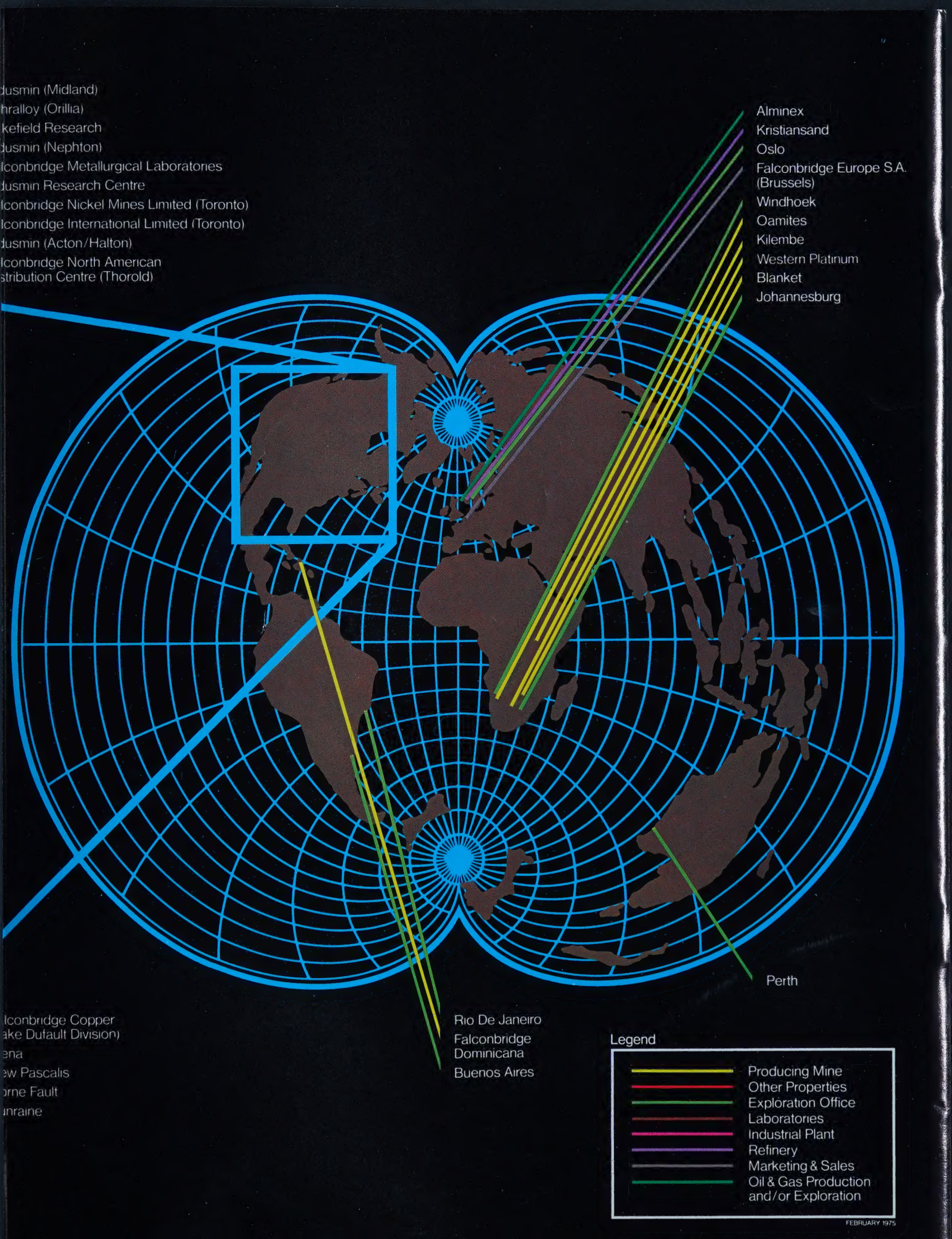
Management 1974

Joint Managing Directors	S. C. Newman
	A. E. Pugsley



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dusmin (Midland)
hralloy (Orillia)
kefield Research
dusmin (Nephton)
lconbridge Metallurgical Laboratories
dusmin Research Centre
lconbridge Nickel Mines Limited (Toronto)
lconbridge International Limited (Toronto)
dusmin (Acton/Halton)
lconbridge North American
stribution Centre (Thorold)
Alminex
Kristiansand
Oslo
Falconbridge Europe S.A.
(Brussels)
Windhoek
Oamites
Kilembe
Western Platinum
Blanket
Johannesburg
Perth
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ew Pascalis
orne Fault
unraine
Rio De Janeiro
Falconbridge
Dominicana
Buenos Aires
Legend
Producing Mine
Other Properties
Exploration Office
Laboratories
Industrial Plant
Refinery
Marketing & Sales
Oil & Gas Production
and/or Exploration
FEBRUARY 1975



FALCONBRIDGE NICKEL MINES LIMITED

Offices

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Sudbury Operations, Main Office — Falconbridge, Ontario P0M 1S0

Vancouver Office —
1112 West Pender Street, Vancouver, BC. V6E 2S1

Among Wholly-Owned Subsidiaries

Falconbridge Nikkelverk Aktieselskap
Kristiansand S., Norway
Chairman of the Board and Managing Director — R. Jahnsen

Falconbridge International Limited
P.O. Box 40, Commerce Court West, Toronto, Ontario, Canada M5L 1B4
Telephone (416) 863-7300.
Telex 02-2720. Cables "Falconbrij"
President and Managing Director — W. G. Dahl

Fahralloy Canada Limited
Orillia, Ontario L3V 2P6
Chairman of the Board — J. J. Mather
President and Managing Director J. A. Wilson

Wesfrob Mines Limited
1112 West Pender Street, Vancouver, B.C. V6E 2S1
Vice-President — F. A. Godfrey, Vancouver
Mine Manager — Kenneth Blower, Tasu, Queen Charlotte Islands, B.C.

Lakefield Research of Canada Limited
Lakefield, Ontario K0L 2H0
Manager — A. G. Scobie

Ontario

Sudbury Operations —
General Manager — G. A. Allen
Producing Mines — Falconbridge, East, Strathcona, Hardy Open Pit, Fecunis Lake, Onaping, North, Longvack South
Mine Under Development — Lockerby
Concentrators — Falconbridge, Strathcona, Fecunis Lake
Smelter — Falconbridge

Manitoba

Manibridge Mine and Mill
Near Wabowden, Manitoba
Manager — W. A. Moore

Ferronickel Operation

Falconbridge Dominicana, C. por A.
Avenida Maximo Gomez No. 30, Santo Domingo, Dominican Republic.
Vice-President and General Manager — Ian H. Keith

Research Laboratories

Falconbridge Metallurgical Laboratories, Richmond Hill, Ontario; Falconbridge, Ontario; Kristiansand S., Norway; Lakefield Research of Canada Limited, Lakefield, Ontario

Exploration Offices

Toronto, Sudbury and Thunder Bay, Ontario; Quebec and Noranda, Quebec; Vancouver, B.C.; Winnipeg, Manitoba; Whitehorse, Yukon Territory; Santo Domingo, Dominican Republic, Buenos Aires, Argentina; Oslo, Norway; Perth, Australia; Johannesburg, South Africa; Windhoek, South West Africa.

Products

Products of Falconbridge Nickel Mines Limited and affiliated companies include: Nickel, copper, cobalt, gold, silver, platinum, palladium, iridium, rhodium, ruthenium, selenium, lead, iron ore, zinc, cadmium, nepheline syenite, silica, limestone aggregates, liquid sulpur dioxide, oil, natural gas, carbon and high-alloy steel castings, and other products for consumer and industrial use

Solicitors

Tilley, Carson & Findlay, Toronto

Auditors

Clarkson, Gordon & Co., Toronto

Transfer Agents and Registrars

Crown Trust Company, Toronto Montreal, Vancouver and Calgary

Registrar and Transfer Company, New York and Jersey City, U.S.A.



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